

MONTH TO MONTH
LEASE
OF IMPROVED SPACE

THIS LEASE, effective the 5th day of JULY, 1995, ("Effective Date") is between The Port of Portland, a port district of the State of Oregon (the "Port"), and Oregon Iron Works, Inc., an Oregon corporation ("Lessee") for lease of certain described Premises located at the Portland Ship Yard ("PSY").

The parties, intending to be legally bound by the terms of this Lease, agree as follows:

SECTION 1 AGREEMENT TO LEASE, PREMISES

1.1 Description of Premises. The Port leases to Lessee, and Lessee leases from the Port, the areas commonly known as Bays 4 and 5, Building 4, identified on Exhibit "A", attached hereto and made a part hereof, and all improvements located thereon, (collectively, the "Premises"). The lease of Bay 5 shall begin on the Commencement Date of this Lease. The lease of Bay 4 shall begin July 17, 1995. Upon construction or installation of any additional improvements approved by the Port as provided herein, in, under or upon the Premises, including without limitation, any buildings, roads, driveways, parking areas, landscaped areas, pipes, fences, walls, sidewalks, stairs, tanks, paved areas, utility distribution facilities or signs (collectively, together with existing improvements, the "Improvements"), such Improvements shall also be deemed a part of the Premises, except to the extent excluded under the terms of this Lease. Improvements added to the Premises by Lessee shall be deemed Lessee's property until termination of this Lease, at which time all such Improvements, at the option of the Port, may revert to the Port and become Port property.

1.2 Use of Premises.

1.2.1 Permitted Use and Compliance with all Laws. Lessee shall use the Premises only for the following purpose(s): industrial fabrication for the manufacture of trash racks and cladding panels for use at Lake Shasta dam, and storage of materials, supplies and equipment in support of such fabrication. No other use may be made of the Premises without the prior written approval of the Port, which approval shall be in the sole discretion of the Port. Use must be in conformance with Port rules and regulations applicable to the Premises which may be in effect from time to time (collectively, the "Port Rules"), and as modified from time to time. Lessee shall also comply with all applicable laws, ordinances, rules and regulations of the state or federal government and all other government authorities with jurisdiction over the Premises. Lessee shall promptly provide to the Port copies of all communications from any such government entity which relate to Lessee's noncompliance or alleged noncompliance with any law or other government requirement.

1.2.2 Limits on Use. No sandblasting or spray painting may be permitted on the Premises, nor shall paints, thinners or solvents be stored on the Premises. Lessee shall not, without the prior written consent of the Port, use any device which would cause substantial noise, vibration, fumes or electronic interference on the Premises. No satellite or cable receiving equipment, electronic transmitting devices (other than telephone, telex or telecopier machines) shall be installed, maintained or operated on the Premises except with written approval of the Port. Lessee shall not overload the electrical circuits from which Lessee obtains current. Lessee shall provide Lessee's own surge protection for power furnished to computers and any other electronic devices/equipment approved for use by the Port. Lessee shall not use or permit anyone else to use the Premises, or permit anything to be done in the Premises, which (a) adversely affects, or is likely to adversely affect, the Premises or any element or part of the Premises, or the operations of the Premises; (b) creates any condition that may be a safety hazard; (c) creates a condition that may increase the rate of fire insurance for the Premises or prevent the Port from taking advantage of any ruling of an insurance rating bureau that would allow the Port to obtain reduced rates for its insurance policies or violates any requirements of Lessee's insurance carrier; (d) creates a hazard or a nuisance to other tenants or occupants of nearby facilities.

1.2.3 Crane Use. Lessee shall not in any manner overload the Port-owned cranes located within the Premises, or operate said cranes in a manner inconsistent with their design or intended use.

1.2.4 Appurtenant Rights. Lessee, Lessee's customers, agents, representatives, suppliers, subcontractors, employees and invitees authorized to be operating in PSY shall have the nonexclusive right to use the Common Areas in common with the Port and with others to whom the Port has granted or may grant such right. The term "Common Areas" generally means existing parking areas, roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, and any other areas, except for berth and drydock lay down areas, and such other areas as have been designated by the Port as areas to be used by tenants of the Port or those having Facility Agreements in common with other tenants and users of the Port. Notwithstanding the foregoing, nothing stated herein shall prohibit the Port from barring from Port property any person or entity which fails to comply with applicable laws, ordinances, rules and regulations including those adopted by the Port Commission and those adopted by the Executive Director or the Executive Director's designee.

SECTION 2

TERM

2.1 Lease Term. The term of this Lease shall commence on July 5, 1995, ("Commencement Date") and shall continue month to month, but in no event beyond December 31, 1995, until terminated by either party upon the giving of thirty days' written notice, unless otherwise terminated pursuant to the terms of this Lease. As stated in Section 1.1 above, the lease of Bay 5 shall begin on the Commencement Date; the lease of Bay 4 shall begin July 17, 1995.

SECTION 3

RENT

3.1 Basic Rent and Rent. Lessee shall pay to the Port monthly rent in the amount of \$5,750.00 for each of Bays 4 and 5, commencing upon the dates indicated in Section 1.1 above, referred to as "Basic Rent." In addition to Basic Rent, Lessee agrees to pay for the Port-provided utilities described in Section 4.4 of this Lease. The rates for Port-provided utilities are shown on Exhibit B to this Lease. All other sums which become payable by Lessee to the Port, including but not limited to payment for Port-provided utilities, shall be considered "Additional Rent" due under this Lease. "Rent," as used herein, shall mean all such Additional Rent, together with Basic Rent. Lessee shall pay Basic Rent for the first and last months upon execution of this Lease.

3.2 Taxes. "Taxes" means all taxes and all assessments of any public authority against the Premises, including all real property taxes assessed against the Premises. Taxes also include any personal property taxes assessed against any Port owned property leased to Lessee hereunder. Other taxes included are rent taxes, gross receipt taxes, business license taxes and fees for permits and any other tax or charge levied wholly or partly in lieu thereof, and the cost of contesting the same. Lessee shall be responsible for paying all such Taxes on time. Upon request by the Port, Lessee shall supply the Port with proof that all such taxes have been paid. Lessee further agrees and understands that because the Port is a tax-exempt entity, Lessee shall be responsible for all real property taxes for the entire tax year (currently July 1 - June 30) even if Lessee's Lease terminates prior to the expiration of the tax year. Lessee shall pay, when due, all taxes and fees assessed against and levied against Lessee's fixtures, equipment, furnishings and personal property located in or on the Premises.

3.3 Security Deposit. In addition to payments of Rent, Lessee shall deposit with the Port, upon execution of this Lease, cash in the amount of \$11,500.00, as a security deposit (the "Deposit"). The Deposit shall not earn interest, shall not be considered to be held in trust for Lessee and shall not be considered an advance payment of rent or a measure of the Port's damages in the event of a default by Lessee, and may be commingled with other funds of the Port. The Port may, but shall not be obligated to, apply all or any part of the Deposit to Rent or other amount not paid by Lessee when due or any amount which the Port may expend or incur by reason of Lessee's failure to perform any obligation under this Lease. If the Port applies all or any part of the Deposit, Lessee shall, upon demand, immediately replenish the Deposit to its original full amount. If Lessee fully performs all of Lessee's obligations under this Lease, the Deposit, or any balance remaining, shall be returned to Lessee within thirty (30) days after the expiration of this Lease and delivery to the Port of possession of the Premises as required by this Lease. In the event of any sale of the Port's interest in the Premises, the Port may transfer the Deposit to the purchaser and the Port shall have no further liability to refund the Deposit. In the event that the Deposit is in a form other than cash, the Deposit shall be made pursuant to a written agreement between Lessee and the Port containing such terms and conditions as are acceptable to the Port. In the event that the Port and Lessee are unable to agree on the terms of the agreement respecting the Deposit on or before the date such Deposit is due, the Lessee shall deposit cash.

3.4 Time and Place of Basic Rent Payments. Lessee shall make payment of all Basic Rent in advance, on or before the first day of each month ("Due Date") without offset, abatement or deduction to the Port to the following address or such other address as the Port may later designate as provided herein:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208

3.5 Delinquency and Administrative Charges. All amounts not paid by Lessee when due shall bear a delinquency charge of eighteen percent (18%) per annum or, if less, the maximum rate of interest allowed by law, from the date of delinquency until paid. The delinquency charge on the overdue amounts shall be subject to periodic increase in the sole discretion of the Port. In addition to the interest charge, the Port may, at its option, also impose an administrative charge of five cents (\$.05) for each one dollar (\$1) for Rent payments more than seven (7) days delinquent without waiving any other remedies available for failure to timely pay Rent. The Port's failure to impose a delinquency or administrative charge shall not be a waiver of the Port's other rights and remedies for such delinquent payment, nor of the Port's right to later charge and collect an administrative charge for such delinquency. Acceptance of any delinquency or administrative charge by the Port shall in no event constitute a waiver of Lessee's default with respect to the overdue amount in question, nor prevent the Port from exercising any of the other rights and remedies granted under this Lease or by law.

3.6 Acceptance of Rent. The Port's acceptance of a late or partial payment of Rent shall not constitute a waiver of any Event of Default (defined in Section 9 below). Endorsements or statements on checks of waiver, compromise, payment in full or the like shall have no legal effect. Lessee shall nonetheless remain in default and shall also remain obligated to pay all Rent due even if the Port has accepted such partial or late payment.

SECTION 4 LESSEE'S OTHER OBLIGATIONS

4.1 Construction of Improvements.

4.1.1 Port Approval. Lessee shall undertake no construction, alteration, or changes ("Work"), on or to the Premises, without the prior written consent of the Port. The Port may require Lessee to submit to the Port for approval any of the following: the name of the proposed contractor; final plans and specifications; a site-use plan; and architectural renderings. Approval should be obtained prior to application for any building or like permit. The Port may condition its approval on Lessee's obtaining and delivering to the Port a performance bond and a labor and materials payment bond (issued by a corporate surety licensed to do business in Oregon), each in an amount equal to the estimated cost of the construction and in a form satisfactory to the Port. All improvements installed on the Premises by Lessee, other than Lessee's removable trade fixtures, shall be deemed a part of the Premises.

4.1.2 Permits and Licenses. No Work may commence until Lessee obtains and delivers to the Port copies of all required governmental permits and licenses, including any required greenway permit.

4.1.3 Other Requirements. All Work shall be performed in a good and workman-like manner and in conformance with applicable Port Rules and all permit requirements. All Work shall be done with reasonable dispatch, and in accordance with any completion schedule agreed upon between the Port and Lessee. If requested by the Port, within thirty (30) days after the completion of any Work covered by this Section 4, Lessee shall deliver to the Port complete and fully detailed "As-Built" drawings of the completed Improvements, prepared by an architect licensed by the State of Oregon.

4.2 Maintenance.

4.2.1 General. Except for the Port maintenance responsibilities provided in Section 5.5, Lessee shall keep and maintain the Premises and all Improvements, systems, and equipment located thereon, in safe and clean condition and in good repair. Lessee shall make all necessary and appropriate preventive maintenance, repairs, and replacements. Without limiting Lessee's responsibilities under this Lease, Lessee shall be specifically responsible for the repair and maintenance of electric lines and fixtures, flooring, partitions, walls, ceilings, exterior doors and windows within the Premises. Lessee shall provide, at Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

4.3 No Liens. Lessee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been provided or ordered with Lessee's consent to the Premises. If any lien is filed against the Premises which Lessee wishes to protest, then Lessee shall immediately notify the Port of the basis for its protest and must deposit cash with the Port, or procure a bond acceptable to the Port, in an amount sufficient to cover the cost of removing the lien from the Premises. Failure to remove the lien or furnish the cash or a bond acceptable to the Port within ten (10) days shall constitute an Event of Default under this Lease and the Port shall automatically have the right, but not the obligation, to satisfy the lien without further notice to Lessee and Lessee shall immediately reimburse the Port for any sums so paid to remove any such lien.

4.4 Utilities and Services. The following utilities shall be provided by the Port and paid for by Lessee as provided in Section 3.1 of this Lease: compressed air, water and sewer, and gas and oxygen. Lessee must make arrangement for all utilities not provided by the Port, and shall promptly pay all utility charges before delinquent. Interruption of services or utilities shall not be deemed an eviction or disturbance of Lessee's use and possession of the Premises, render the Port liable to Lessee for damages, or relieve Lessee from performance of Lessee's obligations under this Lease, including full payment of all Rent due. If Lessee wishes to install new utility lines, Lessee must first obtain the written permission of the Port. Whether to grant or deny permission shall be in the sole discretion of the Port. If permission is granted, Lessee must provide the Port with a survey showing the precise location of such lines.

4.5 Signs. Lessee shall not erect, install, nor permit upon the Premises any sign or other advertising device without first having obtained the Port's written consent, which the Port may withhold in its sole discretion. All signs must also comply with all local laws governing signage. Lessee shall remove all signs and sign hardware upon termination of this Lease and restore the sign location to its former state, unless the Port elects to retain all or any portion of the signage.

4.6 Port Access to Premises. The Port shall have the right to enter upon the Premises for the purposes of: (1) confirming the performance by Lessee of all obligations under this Lease; (2) doing any other act which the Port may be obligated or have the right to perform under this Lease; and (3) for any other lawful purpose. Such entry shall be made on reasonable advance notice and during normal business hours, where practical, except in cases of emergency or a suspected violation of this Lease or the law. Lessee waives any claim against the Port for damages for any injury or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry except to the extent caused by the gross negligence or wilful misconduct of the Port. The Port shall, at all times, retain a key with which to unlock all doors in, upon or about the Premises, and the Port shall have the right to use any and all means which the Port may deem reasonable to open such doors in an emergency in order to obtain entry into the Premises.

4.7 Safety Requirements.

4.7.1 Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of Lessee pursuant to this Lease.

4.7.2 Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

SECTION 5 PORT AUTHORITY AND OBLIGATIONS

5.1 Delivery of Premises. Lessee shall have the right to possession of Bay 5 of the Premises as of the Commencement Date, and to Bay 4 as of July 17, 1995. The Port shall have no liability to Lessee for delay in delivering possession.

5.2 Quiet Enjoyment. Subject to Lessee performing all of Lessee's obligations under this Lease and subject to the Port's rights of condemnation under Oregon law and its rights under this Lease, Lessee's possession of the Premises will otherwise not be disturbed by the Port.

5.3 Condition of Premises. The Port makes no warranties or representations regarding the condition of the Premises, including, without limitation, the environmental condition of the Premises or the suitability of the Premises for Lessee's intended uses. Lessee accepts the Premises in "AS IS" condition. The Port shall have no liability to Lessee, and Lessee shall have no claim against the Port, for any damage or injury caused by the condition of the Premises. The Port shall have no responsibility to bring the Premises into compliance with any laws, including, without limitation, any building or occupancy codes. Lessee shall be solely responsible for thoroughly inspecting the Premises and ensuring that it is in compliance with all laws, including all requirements of the Americans With Disabilities Act ("ADA").

5.4 Port Construction Obligation. The Port shall have no construction obligations hereunder.

5.5 Port Maintenance Obligation. Subject to Lessee's maintenance obligations as described in Section 4.2.1 and Lessee's obligations to repair damage caused by its acts or failure to act on the Premises, the Port shall otherwise be responsible for maintenance of the exterior walls and the roof of the Premises, maintenance of the exterior utility systems to the service connection points inside the Premises, maintenance of the high pressure sodium overhead lights, and planned maintenance, minor repairs and upgrading as planned under the Port's long term capital and maintenance program for the Port-owned crane in Bay 2. Any and all maintenance and repair work not specifically described in this Lease as the responsibility of the Port shall be the responsibility of the Lessee. Clogs in drains caused by Lessee beyond the service connection points shall be Lessee's responsibility.

5.6 Port Authority Over Common Areas. In addition to any other rights granted by law or by this Lease, the Port reserves the following specific rights with respect to the Common Areas: (i) to adjust the boundaries of, expand or delete Common Areas; (ii) to change Port Rules for the use of the Common Areas; (iii) to permit the use of the Common Areas by others in such manner as the Port may from time to time determine; (iv) to close all or any portion of the Common Areas (so long as Lessee still has ingress and egress to the Premises); (v) to construct additional buildings or other improvements in the Common Areas; and (vi) to evict anyone from the Common Areas who fails to comply with any applicable laws including applicable Port Ordinances and/or Port Rules.

SECTION 6

ENVIRONMENTAL OBLIGATIONS OF LESSEE

6.1 Definitions. As used in this Lease, the following terms shall be defined as follows:

6.1.1 "Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state and local statutes, regulations, rules and ordinances now or hereafter in effect, as the same may be amended from time to time, which in any way govern materials, substances or products and/or relate to the protection of health, safety or the environment.

6.1.2 "Hazardous Substances" shall be interpreted in the broadest sense to include any substance, material or product defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or substances or any other similar term in or under any Environmental Laws.

6.1.3 "Environmental Costs" shall be interpreted in the broadest sense to include, but shall not necessarily be limited to: (i) costs or expenses relating to any actual or claimed violation of or noncompliance with any Environmental Law; (ii) all claims of third parties, including governmental agencies, for damages, response costs or other relief; (iii) the cost, expense or loss to the Port as a result of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (iv) all expenses of evaluation, testing, analysis, clean-up, remediation, removal and disposal relating to Hazardous Substances, including fees of attorneys, engineers, consultants, paralegals and experts; (v) all expenses of reporting the existence of Hazardous Substances or the violation of Environmental Laws to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (vi) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying, telephone and telefax charges and other expenses; and (vii) any damages, costs, fines, liabilities and expenses which are claimed to be owed by any federal, state or local regulating or administrative agency.

6.2 Initial Environmental Audit. Prior to Lessee taking possession of the Premises under this Lease, the Port will conduct a brief visual environmental assessment of the Premises ("Initial Assessment"). At the request of Lessee, Port will provide a copy the results of this Initial Assessment to Lessee. The Initial Assessment shall be used as a baseline for determination of potential future environmental liability; if contamination not shown in this Initial Assessment is later found, particularly at the time of the Exit Audit described in Section 8.4 below, then a rebuttable presumption will exist that Lessee is responsible for that contamination. Prior to taking possession of the Premises, Lessee has been advised that Lessee is free to and is encouraged to conduct, at Lessee's sole cost and expense, its own environmental audit ("Initial Audit") of the Premises. If Lessee wishes to conduct such an audit, the scope of the audit shall be agreed upon by the parties. The Port and Lessee shall each receive a copy of the Initial Audit report, signed and certified by the firm hired to perform the Initial Audit. The Initial Audit shall then be used as a baseline for determination of potential future environmental liability and; if contamination not shown in this Initial Audit is later found, particularly at the time of the Exit Audit described in Section 8.4 below, then a rebuttable presumption will exist that Lessee is responsible for that contamination. If Lessee does not conduct such an audit, a rebuttable presumption will exist, as stated above, that any contamination not found in the Initial Assessment and found on the Premises after the Commencement Date of this Lease is the responsibility and liability of Lessee.

6.3 Limited Business Use of Hazardous Substances. Lessee may, in the normal course of Lessee's business and to the extent necessary for Lessee's permitted use of the Premises, use certain Hazardous Substances on the Premises in compliance with all of the following conditions: (a) use of such Hazardous Substances is in compliance with all Environmental Laws; (b) use of

such Hazardous Substances does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage; (c) other than ordinary office and janitorial supplies and substances fully contained inside of automobiles located on the Premises, Lessee shall be permitted to use only those Hazardous Substances as have been specifically identified and consented to, in writing, by the Port and only in such quantities as have been so consented to by the Port. The Port may condition its consent to the use or presence of any Hazardous Substance on the Premises upon Lessee's giving the Port such additional assurances as the Port, in its discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination, injury or liability therefrom, including, but not limited to, the installation (and removal on or before termination of the Lease) of reasonable protective modifications to the Premises or an increase in the security deposit and insurance coverage. The Port reserves the right to inventory or cause to be inventoried any such Hazardous Substances being used and to approve or deny use of the same. Ordinary janitorial supplies which are available over the counter for use by the general public may be used on the Premises without written permission from the Port so long as they are used in small quantities for normal clean-up activities and in accordance with all laws and the provisions of this Lease. In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premises which are generated by or from cleanup, removal, or remediation operations or activities from third party sources outside PSY. Tanks located on the Premises must be located on a paved or concrete surface to prevent any runoff of materials that might spill or leak out of the tanks. The tank area must also have a screening berm maintained around it to the Port's satisfaction.

6.4 Environmental Inspection. The Port reserves the right to inspect for Hazardous Substances and/or Lessee's management of Hazardous Substances on the Premises at any time, and from time to time, without notice to Lessee or any subtenant. If the Port, at any time during the term of this Lease or any extension thereof, has reason to believe that Lessee is handling Hazardous Substances contrary to the requirements of this Lease, in violation of this Lease or in any manner that may allow contamination of the Premises, the Port may, without limiting its other rights and remedies, require Lessee to furnish to the Port, at Lessee's sole expense, an environmental audit or environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting such audit and the audit procedures. The Port shall be given an original copy of the audit results. Lessee shall cooperate with all such requests.

6.5 Safety. Pursuant to the terms of this Lease, Lessee must comply with all applicable state, federal and local laws and ordinances. As a part of this requirement, Lessee shall maintain Material Safety Data Sheets for each and every Hazardous Substance used by Lessee, Lessee's agents, employees, contractors, licensees or invitees on the Premises, as required under the Hazard Communication Standard in 29 CFR §1910.1200, as it may be amended, redesignated or retitled from time to time, and comparable state and local statutes and regulations. In order to ensure that such information is available to the Port in the event of a spill or other emergency, all such information shall be kept current at all times and a copy of all such materials shall be kept in a place known to and easily accessible to the Port.

6.6 Disposal of Hazardous Substances. Lessee shall not dispose of any Hazardous Substance, regardless of the quantity or concentration, within the storm and/or sanitary sewer drains and plumbing facilities within the Premises, or other property of the Port. The disposal of Hazardous Substances shall be in approved containers and removed from the Premises only in accordance with the law. If Lessee knows, or has reasonable cause to believe, that any release of a Hazardous Substance has come to be located on or beneath the Premises, Lessee must immediately give written notice of that condition to the Port.

6.7 Notice to Port. Lessee shall immediately notify the Port upon becoming aware of a violation or alleged violation of any Environmental Law and/or: (1) any leak, spill, release or disposal of a Hazardous Substance on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to Lessee or any other person relating to such Hazardous Substances on, under or adjacent to the Premises or any violation or alleged violation of any Environmental Laws with respect to the Premises.

6.8 Environmental Remediation. In the event of a leak, spill or release of a Hazardous Substance, or any other substance in violation of Environmental Laws, on the Premises (or in any adjacent or nearby waterways, on adjacent properties or in any Common Areas, if caused by Lessee), or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all acts necessary or appropriate to contain, clean up and remove the Hazardous Substance. Lessee shall also undertake, within a reasonable time, all investigatory, remedial and/or removal actions necessary or appropriate to ensure that any contamination by the Hazardous Substance is eliminated and any violation of any Environmental Law is stopped. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individuals conducting such procedures. Within thirty (30) days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a report outlining in detail what has been done by Lessee to cure any such problems. Promptly upon written notice from the Port or from any governmental entity, Lessee shall remove from the Premises (including, without limitation, the soil and surface and ground water thereof), at Lessee's own cost and expense, all Hazardous Substances which have been released on, in, under or about the Premises, during the term of this Lease or any prior lease held by Lessee and shall restore the Premises to its pre-contamination condition, in conformance with all applicable governmental laws, rules and regulations. Any Environmental Costs incurred by or assessed against the Port shall be promptly paid by Lessee after the Port incurs the obligation to pay such Costs or determines that an Environmental Cost is duly owing and the Port so notifies Lessee. If a spill or contamination is discovered by Lessee but such spill or contamination is not on the Premises and is not the responsibility of Lessee under this Lease, Lessee must still immediately notify the Port of any problem or possible problem.

6.9 Certification. Not later than thirty (30) days after receipt of written request from the Port, Lessee shall provide a written certification to the Port, signed by Lessee, which certifies that Lessee has not received any notice from any governmental agency regarding a violation of any Environmental Law; or, if such notice was received, Lessee shall explain the reason for the notice, what has been done to remedy the problem and shall attach a copy of the notice. Lessee

shall also certify that Lessee has obtained and has in force all permits required under Environmental Law. Copies of all such permits shall be made available to the Port upon request.

6.10 Documentation of Hazardous Substances. Lessee shall maintain for periodic inspection by the Port and deliver to the Port, at the Port's request, true and correct copies of the following documents (hereinafter referred to as the "Documents") related to the handling, storage, disposal and emission of Hazardous Substances, concurrently with the receipt from or submission to a governmental agency: Permits; approvals; reports and correspondence; storage and management plans; spill prevention control and countermeasure plans; other spill contingency and emergency response plans; documents relating to taxes for Hazardous Substances; notice of violations of any Environmental Laws; plans relating to the installation of any storage tanks to be installed in, under or around the Premises (provided said installation of tanks shall only be permitted after Port has given Lessee its written consent to do so, which consent may be withheld in Port's sole discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks or other facilities installed in, on or under the Premises.

SECTION 7

INDEMNITY, INSURANCE

7.1 General Indemnity. Upon the Commencement Date of this Lease, Lessee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties (collectively "Costs") which may be imposed upon or claimed against the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with: (1) any act, omission or negligence of Lessee or Lessee's subtenants or licensees or any of their respective partners, officers, directors, agents, employees, invitees or contractors; (2) any use, occupation, management or control of the Premises by Lessee, whether or not due to Lessee's own act or omission and whether or not occurring on the Premises; (3) any condition created in or about the Premises by any party, other than the Port or an agent of the Port, including any accident, injury or damage occurring on or about the Premises after the Commencement Date; (4) any breach, violation or nonperformance of any of Lessee's obligations under this Lease; (5) any damage caused by Lessee on or to the Premises. For purposes of this Section 7.1(1) through (5) and Section 7.2 below, "Lessee" shall be deemed to include Lessee and Lessee's sublessees and licensees and all respective partners, officers, directors, agents, employees, invitees and/or contractors.

7.2 Environmental Indemnity. Without in any way limiting the generality of the foregoing Section 7.1 concerning General Indemnity, Lessee shall be solely responsible for and agrees to defend (using legal counsel acceptable to the Port), indemnify and hold harmless the Port from and against all Environmental Costs claimed against or assessed against the Port arising, in whole or in part, directly or indirectly, from acts or omissions of any person or entity at or about the Premises after the Commencement Date of this Lease or earlier if caused by Lessee or Lessee's agents or invitees. This indemnification shall require Lessee to reimburse the Port for

any diminution in value of the Premises or other adjacent or nearby Port property, caused by Hazardous Substances, including damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or any other Port property, including damages arising from any adverse impact on marketing of space in or near the Premises, including other Port property. Lessee's obligations shall not apply if the Hazardous Substances were deposited on the Premises by the Port or the Port's agents. Lessee shall be solely responsible to assure that no person brings Hazardous Substances onto the Premises. Notwithstanding the foregoing, Lessee shall not be responsible for, and does not indemnify the Port for, any actions of the Port that cause environmental damage or a violation of any Environmental Law on the Premises.

7.3 Insurance Requirements.

Insurance requirements set forth below do not in any way limit the amount or scope of liability of Lessee under this Lease. The amounts listed indicate only the minimum amounts of insurance coverage the Port is willing to accept to help insure full performance of all terms and conditions of this Lease. All insurance required by this Lease shall meet the following minimum requirements:

7.3.1 Certificates; Notice of Cancellation. On or before the Commencement Date, Lessee shall provide the Port with certificates of insurance establishing the existence of all insurance policies required under this Section 7. Thereafter, the Port must receive notice of the expiration or renewal of any policy at least thirty (30) days prior to the expiration or cancellation of any insurance policy. No insurance policy may be canceled, revised, terminated or allowed to lapse without at least thirty (30) days prior written notice being given to the Port. Insurance must be maintained without any lapse in coverage continuously for the duration of this Lease. Insurance canceled without Port consent shall be deemed an immediate Event of Default under this Lease. The Port shall also be given certified copies of Lessee's policies of insurance upon request.

7.3.2 Additional Insured. The Port shall be named as an additional insured in each required policy and, for purposes of damage to the Premises, as a loss payee. Such insurance shall not be invalidated by any act, neglect or breach of contract by Lessee.

7.3.3 Primary Coverage. The required policies shall provide that the coverage is primary, and will not seek any contribution from any insurance or self-insurance carried by the Port.

7.3.4 Company Ratings. All policies of insurance must be written by companies having an A.M. Best rating of "A" or better, or equivalent. The Port may, upon thirty (30) days written notice to Lessee, require Lessee to change any carrier whose rating drops below an "A" rating.

7.4 Required Insurance

At all times during this Lease, Lessee shall provide and maintain the following types of coverage:

7.4.1 General Liability Insurance. Lessee shall maintain an occurrence form commercial general liability policy (including coverage for broad form contractual liability; sudden and accidental spill coverage on land and on water; and any personal injury liability) for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. Such coverage shall name the Port as an additional insured. Coverage shall be in an amount of not less than FIVE MILLION DOLLARS (\$5,000,000) combined single limit per occurrence for bodily injury and property damage for all coverage specified herein.

7.4.2 Fire Legal Liability Insurance. The Port shall insure the building space and all improvements affixed thereto, considered to be part of the building, being leased by Lessee as a part of the leased Premises. Lessee is responsible to insure all of Lessee's own personal property and trade fixtures, which items shall not be covered by Port insurance. Furthermore, Lessee must at all times carry Fire Legal Liability insurance coverage in an amount not less than ONE HUNDRED THOUSAND DOLLARS (\$100,000).

7.4.3 Automobile Liability Insurance. Lessee shall maintain an occurrence form automobile liability policy insuring Lessee and the Port against liability for damage because of bodily injury, death, or damage to property, including loss of use thereof, and occurring or in any way related to the use, loading or unloading of Lessee's owned, hired and non-owned vehicles on and around the Premises. Such insurance shall name the Port as an additional insured. Coverage shall be in an amount of not less than ONE MILLION DOLLARS (\$1,000,000) combined single limit per occurrence.

7.4.4 Workers' Compensation Insurance. Lessee shall maintain in force Workers' Compensation insurance or self-insurance for all of Lessee's employees, including coverage for Employer's Liability, and, if applicable, Longshore and Harbor Workers' Compensation Act. In lieu of such insurance, Lessee may maintain a self-insurance program meeting the requirements of the State of Oregon and a policy of Excess Workers' Compensation with a limit of at least ONE MILLION DOLLARS (\$1,000,000) per accident above the self-insured retention.

7.4.5 Periodic Review. The Port shall have the right to periodically review the types, limits and terms of insurance coverage. In the event the Port determines that such types, limits and/or terms should be changed, the Port will give Lessee a minimum of thirty (30) days notice of such determination and Lessee shall modify its coverage to comply with the new insurance requirements of the Port. Lessee shall also provide the Port with proof of such compliance by giving the Port an updated certificate of insurance within fifteen (15) days.

7.5 Waiver of Subrogation. Except as limited by this Section, the parties hereto waive any right of action that they and/or their insurance carriers might have against the other for loss or damage, to the extent that such loss or damage is covered by any All-Risk property insurance policy or policies and to the extent that proceeds (which proceeds are free and clear of any interest of third parties) are received by the party claiming the loss or damages. This waiver of subrogation shall not extend to any applicable deductibles under such policy or policies.

SECTION 8 TERMINATION

8.1 Duties on Termination. Upon expiration or earlier termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the Premises and all Improvements in good clean condition. Improvements constructed by Lessee with permission from the Port shall, at the Port's option, become Port property and shall not be removed unless the Port directs Lessee to remove such Improvements, in which case Lessee must remove such Improvements and repair any damage to the Premises. All repair for which Lessee is responsible shall be completed prior to termination and surrender.

8.2 Lessee's Personal Property.

8.2.1 Removal Requirement. Furniture, decorations, detached floor covering, curtains, blinds, furnishings and removable trade fixtures shall remain the property of Lessee if placed on the Premises by Lessee, at Lessee's expense. At or before the termination of this Lease, Lessee, at Lessee's expense, shall remove from the Premises any and all of Lessee's removable personal property and shall repair any damage to the Premises resulting from the installation or removal of such property. Title to any items of Lessee's trade fixtures and other property which remain on the Premises after the termination date of this Lease may, at the option of the Port, be automatically taken by the Port, and the Port shall have the option, in its sole discretion, of: (a) retaining any or all of such trade fixtures and other property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such trade fixtures and other property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

8.2.2 Time for Removal. The time for removal of any property which Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the termination date of this Lease; or (2) within thirty (30) days after notice from the Port requiring such removal where the property to be removed is an Improvement which Lessee is not required to remove except after election or notice by the Port.

8.3 Holding Over. If Lessee holds over after this Lease terminates, Lessee shall be deemed a month-to-month holdover tenant or a tenant at sufferance, at the Port's sole discretion. In the event the Port deems Lessee as a month-to-month holdover tenant, Lessee shall remain bound by this Lease, except that: i) the tenancy shall be from month-to-month, subject to the payment of all Rent in advance; ii) the Port shall have the right to adjust the Rent upon thirty (30) days written notice to Lessee; and iii) such tenancy may be terminated at any time by written

notice from the Port to Lessee. In the event the Port deems Lessee as a tenant at sufferance, the Port shall be entitled to evict Lessee but the Port may still collect a charge for use of the Premises.

8.4 Exit Audit and Remediation. The Port may, at or near the expiration of this Lease by time or other termination, require the Lessee to conduct, at Lessee's sole cost and expense, an exit environmental audit (the "Exit Audit") of the Premises to determine whether there are any Hazardous Substances on or within the Premises. The Port shall have the right to approve the Exit Audit procedures and the company or individual conducting the audit. The Port shall be given a certified copy of the audit results. Lessee shall provide to the Port a supplemental update report as of the last day of the Lease. Lessee shall promptly remedy any contamination revealed by such audit for which Lessee is responsible under the terms of this Lease. Such remediation shall be performed in accordance with then applicable Environmental Laws prior to the expiration of the Lease. In the event Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge Lessee all resulting Environmental Costs. The Port shall give Lessee seven (7) days prior written notice of its intention to do the clean-up. Lessee agrees to pay to the Port such Environmental Costs incurred by the Port within thirty (30) days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port under this Lease, at law, or by equity. If Lessee does not conduct such audit as required herein, the Port may, at its sole option, and without further notice to Lessee, complete such audit and bill Lessee for all costs of conducting the audit.

SECTION 9

DEFAULT

9.1 Event of Default. The occurrence of any of the following shall constitute an Event of Default:

9.1.1 Default in Rent. Failure of Lessee to pay any Rent or other amount payable to the Port or to others as provided herein within ten (10) days after it is due. No notice by the Port that Rent or such other amount is past due shall be required.

9.1.2 Default in Other Covenants. Failure of Lessee to comply with any term, covenant or condition of this Lease (other than the payment of Rent or other amounts) within ten (10) days after written notice by the Port describing the nature of the default. If the default is of such a nature that it cannot be completely remedied within the ten (10) day period, this provision shall be complied with if Lessee begins correction of the default within the ten (10) day period and thereafter proceeds in good faith and with reasonable diligence to effect the cure as soon as practical, so long as done to the satisfaction of the Port. Notwithstanding the foregoing, the Port need not give notice for a similar type of default more than twice during the Lease, and a failure to perform such type of obligation after the second notice constitutes an Event of Default for which no further notice or opportunity to cure need be given. Furthermore, if any Event of Default threatens to cause serious harm to the Port or other tenants or persons, then the Port shall not be required to serve any notice before proceeding to request immediate injunctive relief.

9.1.3 Insolvency. To the extent permitted by the United States Bankruptcy Code, insolvency of Lessee shall be deemed to include an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee and the receiver is not discharged within ten (10) days; the filing of an involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days, shall all constitute an Event of Default hereunder. In these instances, no notice that an Event of Default has occurred shall be required from the Port.

9.1.4 Abandonment. Failure of Lessee for thirty (30) days or more to use and occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease. No notice that an Event of Default has occurred shall be required from the Port.

9.1.5 Failure to Abide by Laws. Failure of Lessee to comply with any applicable laws or any of the Port's Rules. If the default is not of a serious nature, which determination shall be in the sole discretion of the Port, and the default can be cured as outlined in Section 9.1.2 above, then the Port shall give Lessee ten (10) days notice of such default and Lessee shall be permitted to cure. If the violation is of a serious nature, to be determined in the sole discretion of the Port, then termination will be immediate and no opportunity to cure the default will be allowed.

9.1.6 Correction of Emergency. Failure of Lessee to immediately commence correction and control of an emergency upon notice from the Port. As used herein, "Emergency" shall mean any activity, cause or effect under the control or direction of Lessee, its employees, agents, invitees, guests, or subcontractors involving the health, safety, or general welfare of persons or property.

9.2 Remedies on Default. Immediately following an uncured Event of Default or an Event of Default for which there is no cure period, the Port may exercise any or all of the following remedies, in addition to any other rights and remedies provided in this Lease or at law or equity:

9.2.1 Re-entry. The Port may re-enter the Premises, or any part thereof, by suitable action or proceeding at law, or by force or otherwise, without being liable for indictment, prosecution or damages therefor, and may repossess the Premises and remove any person or property therefrom, to the end that the Port may have, hold and enjoy the Premises.

9.3 Remedies Cumulative and Nonexclusive. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by the Port of any such rights or remedies will not

preclude the simultaneous or later exercise by the Port of any other such rights or remedies. All such rights and remedies are nonexclusive.

9.4 Curing Lessee's Defaults. If Lessee shall default in the performance of any of Lessee's obligations under this Lease, the Port, without waiving such default, may (but shall not be obligated to) perform the same for the account of and at the expense of Lessee, without notice in a case of emergency, and in any other cases, only if such default continues after the expiration of ten (10) days from the date the Port gives Lessee notice of the default. The Port shall not be liable to Lessee for any claim for damages resulting from such action by the Port. Lessee agrees to reimburse the Port upon demand, as additional Rent, any amounts the Port may spend in complying with the terms of this Lease on behalf of Lessee. The Port shall have the same rights and remedies in the event of the nonpayment of sums due to be reimbursed under this Section as in the case of default by Lessee in the payment of any other Rent. Any sums to be so reimbursed shall bear interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by law, whichever is less.

9.5 Default by Port. In the event of any default by the Port, Lessee's exclusive remedy shall be an action for damages. Prior to being entitled to maintain any such action, Lessee shall give the Port written notice specifying such default with particularity, and the Port shall have thirty (30) days within which to cure any such default, or if such default cannot reasonably be cured within thirty (30) days, the Port shall then have thirty (30) days to commence cure and shall diligently prosecute cure to completion. Unless and until the Port fails to so cure such default after such notice, Lessee shall not have any remedy or cause of action by reason thereof. All obligations of the Port hereunder shall be construed as covenants, not conditions, and all such obligations shall be binding upon the Port only during the period of its ownership of the Premises and not thereafter.

SECTION 10

ASSIGNMENT, SUBLEASE AND TRANSFER BY PORT

10.1 Prohibition. This Lease is personal to Lessee. Therefore, unless otherwise provided in this Lease, no part of the Premises, nor any interest in this Lease, may be assigned, pledged, transferred, mortgaged, or subleased by Lessee, nor may a right of use of any portion of the Premises be conveyed or conferred on any third party by Lessee by any other means, without the prior written consent of the Port. Whether to deny or grant any such request shall be in the Port's sole discretion. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers, including any that may occur by operation of law. If Lessee is a corporation or other entity, any change in ownership of the controlling interest in the stock of the corporation or ownership interest in such other entity, through sale, exchange, merger, consolidation or other transfer, shall be deemed an assignment of this Lease requiring the Port's consent.

10.1.1 Port Costs. Lessee shall pay the Port's costs and expenses for reviewing Lessee's request for consent to assign or sublease and all related materials, including, without limitation, reasonable legal fees, whether or not the Port grants such consent.

10.2 Effect of Consent. No assignment or subletting by Lessee shall relieve Lessee of any obligation under this Lease and Lessee shall remain fully liable hereunder. Any attempted assignment or sublease by Lessee in violation of the terms and covenants of this Section 10 shall be void. Any consent by the Port to a particular assignment or sublease shall not constitute the Port's consent to any other or subsequent assignment or sublease. If consent is granted, Lessee shall provide a copy of the signed assignment or sublease document to the Port promptly after execution. The sublease or assignment instrument shall contain a provision requiring that the subtenant or assignee perform and observe all terms and conditions of this Lease and shall provide that the Port have the right to enforce such terms and conditions directly against such assignee or subtenant.

10.3 Transfer by the Port. At any time after the Commencement Date of this Lease, the Port shall have the right to transfer its interest in the Premises or in this Lease. In the event of such a transfer, the Lessee shall attorn to said transferee and recognize transferee as the new Lessor under the Lease. Thereafter, the Port shall be relieved, upon notification to Lessee of the name and address of the Port's successor, of any obligations accruing from and after the date of the transfer so long as the transferee agrees to assume all obligations of the Port under this Lease.

10.4 Estoppel Certificates. Lessee agrees to execute and deliver to Port, at any time and within ten (10) days after written request, a statement certifying: (1) that this Lease is unmodified and is in full force and effect (or if there have been modifications, stating the modifications); (2) the dates to which Rent has been paid; (3) whether or not the Port is in default in performance of any of its obligations under this Lease and, if so, specifying the nature of each such default; and (4) whether or not any event has occurred which, with the giving of notice, the passage of time, or both, would constitute such a default by the Port and, if so, specifying the nature of each such event. Lessee shall also include in any such statement such other information concerning this Lease as the Port reasonably requests. The parties agree that any statement delivered pursuant to this section shall be deemed a representation and warranty by Lessee which may be relied upon by the Port and by potential or actual purchasers and lenders with whom the Port may be dealing, regardless of independent investigation. If Lessee fails to provide such statement within ten (10) days after the Port's written request therefor, Lessee shall be deemed to have given such statement and shall be deemed to have admitted the accuracy of any information contained in the request for such statement.

SECTION 11 GENERAL PROVISIONS

11.1 Covenants, Conditions, and Restrictions. This Lease is subject and subordinate to the effect of any covenants, conditions, restrictions, easements, mortgages, deeds of trust, ground leases, rights of way, and any other matters of record now or hereafter imposed upon the Premises and to any applicable land use or zoning laws or regulations. Lessee shall, upon request of the Port, execute and deliver agreements of subordination in the form requested by the Port.

11.2 Governing Law. This Lease shall be governed and construed according to the laws of the State of Oregon, and venue for any litigation shall be in Multnomah County. To the extent applicable, the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein and shall control in the event of conflict with any provision of this Lease.

11.3 No Benefit to Third Parties. The Port and Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

11.4 Port Consent. If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable. Lessee's sole remedy shall be an action for specific performance or injunction, and such remedy shall be available only if the Port has expressly agreed, in writing, not to act unreasonably in withholding its consent or may not unreasonably withhold its consent as a matter of law and the Port has, in fact, acted unreasonably in either of those instances.

11.5 No Implied Warranty. In no event shall any consent, approval, acquiescence, or authorization by the Port be deemed a warranty, representation, or covenant by the Port that the matter approved, consented to, acquiesced in or authorized is appropriate, suitable, practical, safe or in compliance with any applicable law or this Lease. In no event shall the Port be deemed liable therefor. Lessee shall be solely responsible for such matters.

11.6 Notices. All notices required or desired to be given under this Lease shall be in writing and may be delivered by placement in the U.S. mail, postage prepaid, as certified mail, return receipt requested, addressed to the Port at:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208-3529
Attn: PSY Contracts Administrator

with a copy to:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208-3529
Attn: Legal Department

or by hand delivery to the Port at:

The Port of Portland
5555 N. Channel Avenue, Building 50
Portland, Oregon 97217
Attn: PSY Contracts Administrator

with a copy to:

The Port of Portland
700 N.E. Multnomah
Portland, Oregon 97232
Attn: Legal Department

and to Lessee to the Premises or to:

Oregon Iron Works, Inc.
9700 S.E. Lawnfield Road
Clackamas, OR 97015
Attn: Terry Kingrey

Any notice delivered by hand delivery shall be conclusively deemed received by the addressee upon actual delivery; any notice delivered by mail as set forth herein shall be conclusively deemed received by the addressee on the third business day after deposit. The addresses to which notices are to be delivered may be changed by giving notice of such change in accordance with this notice provision.

11.7 Time of the Essence. Time is of the essence in the performance of and adherence to each and every covenant and condition of this Lease.

11.8 Nonwaiver. Waiver by the Port of strict performance of any provision of this Lease shall not be deemed a waiver of or prejudice the Port's right to require strict performance of the same provision in the future or of any other provision.

11.9 Survival. Any covenant or condition (including, but not limited to, indemnification agreements), set forth in this Lease, the full performance of which is not specifically required prior to the expiration or earlier termination of this Lease, and any covenant or condition which by their terms are to survive, shall survive the expiration or earlier termination of this Lease and shall remain fully enforceable thereafter.

11.10 Partial Invalidity. If any provision of this Lease is held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

11.11 No Light or Air Easement. The reduction or elimination of Lessee's light, air, or view will not affect Lessee's obligations under this Lease, nor will it create any liability of the Port to Lessee.

11.12 Lease Subject to Bonds and Ordinances. This Lease shall be subject and subordinate to the bonds and ordinances which create liens and encumbrances as are now on the

land which constitutes the Premises herein. Lessee agrees that the Port may hereafter adopt such bond ordinances which impose liens or encumbrances on said land and the Port's interest in the leasehold, and that Lessee shall, upon request of the Port, execute and deliver agreements of subordination consistent herewith.

11.13 Limitation on Port Liability. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted, and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Ship repair also involves other hazards which may have an impact upon the Premises and/or Lessee's activities. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore. Lessee further agrees that the Port shall have no liability to Lessee for loss or damage suffered by Lessee on account of theft or any act of a third party including other tenants. The Port shall only be liable for its own wilful misconduct or gross negligence and then only to the extent of actual and not consequential damages. The Port shall not be liable for the consequence of admitting by passkey or refusing to admit to the Premises, Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

11.14 Headings. The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

11.15 Exhibits Incorporated by Reference. All Exhibits attached to this Lease are incorporated by reference herein for all purposes.

11.16 Calculation of Time. All periods of time referred to herein shall include Saturdays, Sundays and legal holidays in the State of Oregon. However, if the last day of any period falls on a Saturday, Sunday, or legal holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday or legal holiday.

11.17 Modification. This Lease may not be modified except by a writing signed by the parties hereto.

11.18 Brokers. Lessee represents that Lessee has not dealt with any leasing agent or broker in connection with this Lease and agrees to indemnify and hold the Port harmless from and against any and all damages, costs, and expenses arising in connection with any claim of an agent or broker alleging to have been retained by Lessee in connection with this Lease.

11.19 Attorney Fees. If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Lease or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law. If the Port is required to seek legal assistance to enforce any term of this Lease, such fees shall include all of the above fees, whether or not a proceeding is

initiated. Payment of all such fees shall also apply to any administrative proceeding, trial, and/or any appeal or petition for review. Whenever this Lease requires Lessee to defend the Port, it is agreed that such defense shall be by legal counsel acceptable to the Port.

11.20 Dispute Resolution. Should any dispute arise between the parties to this Lease other than a dispute regarding (1) the failure to pay any Rent or other payments as required by this Lease, or (2) possession, it is agreed that such dispute will be submitted to a mediator prior to any agreed upon arbitration proceeding or prior to a lawsuit being filed. The parties shall exercise good faith efforts to resolve disputes covered by this section through this mediation process. If a party requests mediation and the other party fails to respond within ten (10) days, or if the parties fail to agree on a mediator within ten (10) days, a mediator shall be appointed by the presiding judge of the Multnomah County Circuit Court upon the request of either party. The parties shall have any rights at law or in equity with respect to any dispute not covered by this Section 11.20. Nothing herein shall restrict either party from seeking emergency relief such as specific performance or injunctive relief prior to such mediation. Furthermore, any remediation of an environmental contamination or violation of an Environmental Law shall not be delayed in any way to allow for mediation.

11.21 Entire Agreement. This Lease represents the entire agreement between the Port and Lessee relating to Lessee's leasing of the Premises. It is understood and agreed by Lessee that neither the Port nor the Port's agents or employees have made any representations or promises with respect to this Lease or the making or entry into this Lease, except as in this Lease expressly set forth, and that no claim or liability or cause for termination shall be asserted by Lessee against the Port for, and the Port shall not be liable by reason of, the claimed breach of any representations or promises not expressly stated in this Lease, any other oral agreement with the Port being expressly waived by Lessee.

11.22 Successors. The rights, liabilities and remedies provided for herein shall extend to the heirs, legal representatives, successors and, so far as the terms of this Lease permit, successors and assigns of the parties hereto. The words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become such parties hereto.

11.23 Joint and Several Obligations. If Lessee consists of more than one individual or entity, the obligations of all such individuals and entities shall be joint and several.

11.24 Execution of Multiple Counterparts. This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one instrument.

11.25 Defined Terms. Capitalized terms shall have the meanings given them in the text of this Lease.

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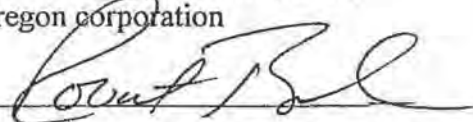
11.26 No Limit on Port's Powers. Nothing in this Lease shall limit, in any way, the power and right of the Port to exercise its governmental rights and powers, including its powers of eminent domain.

IN WITNESS HEREOF, the parties have subscribed their names hereto effective as of the year and date first written above.

LESSEE:

OREGON IRON WORKS, INC.,
an Oregon corporation

By

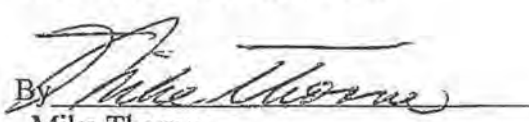


As Its VICE PRESIDENT

LESSOR:

THE PORT OF PORTLAND

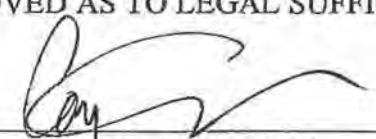
By



Mike Thorne

As its Executive Director

APPROVED AS TO LEGAL SUFFICIENCY


Counsel for The Port of Portland

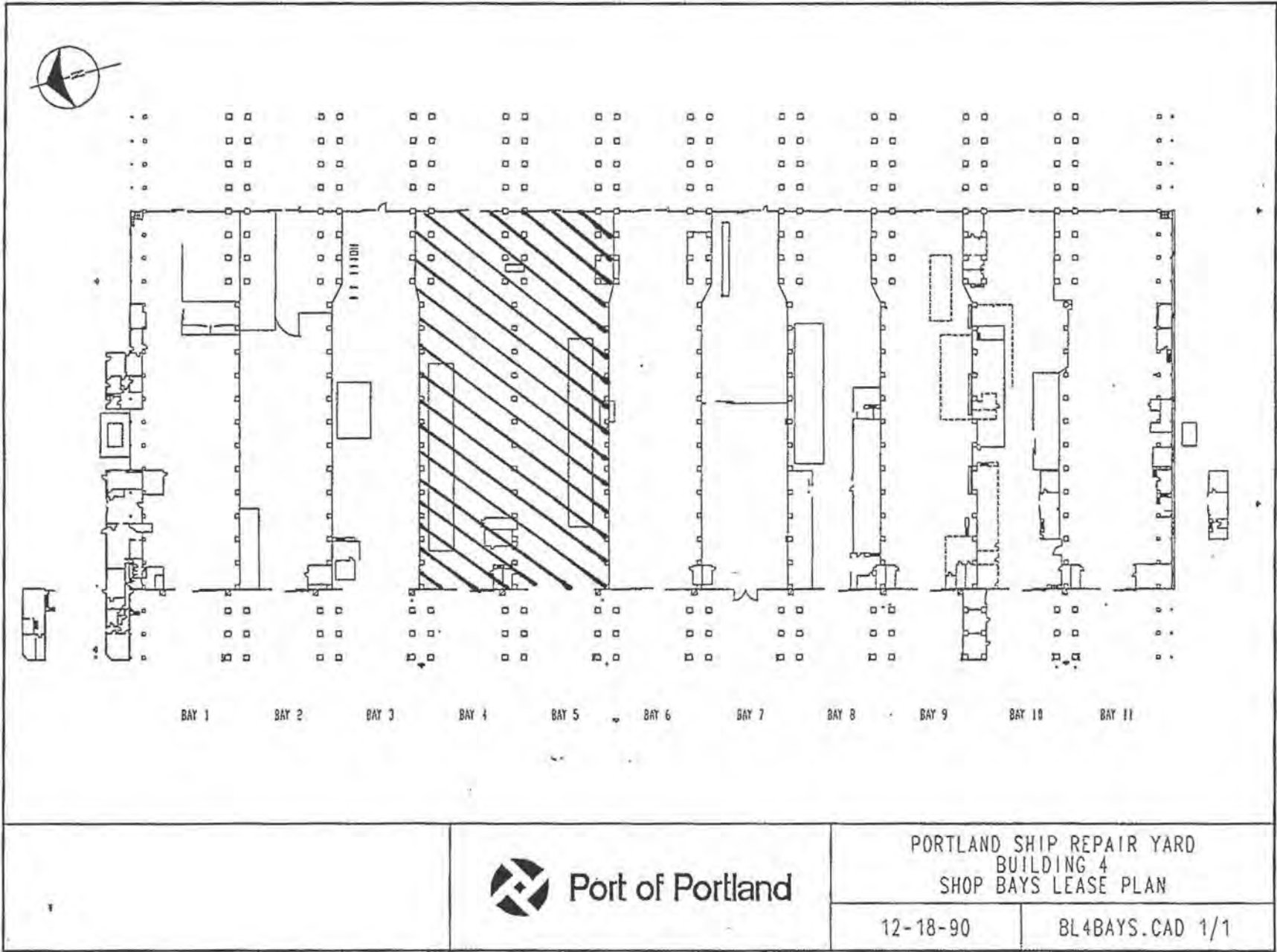


EXHIBIT A



Port of Portland

PORTLAND SHIP REPAIR YARD
BUILDING 4
SHOP BAYS LEASE PLAN

12-18-90

BL4BAYS.CAD 1/1

PSY100002931

EXHIBIT B

UTILITY SERVICES

This Exhibit "B" is part of the Lease dated _____, 1995 between the PORT OF PORTLAND and OREGON IRON WORKS, INC. for the rental of the improved space identified in Exhibit "A" to the Lease. For the authorized purpose of the Lease, the following utilities shall be provided at the stated rates subject to change upon thirty days written notice by the Port.

| | |
|-----------------|------------------------------|
| Water and Sewer | \$150.00/month/ per each Bay |
| Compressed Air | \$385.00/month/ per each Bay |
| Gas/Oxygen | \$5.00/CCF |

Lessee shall arrange for electricity directly with the utility and will be billed by the utility company. Telephone service, refuse collection, and janitorial services are the responsibility of the Lessee.

ACKNOWLEDGED: _____

Lessee's signature

7/5/95

Date

MONTH-TO-MONTH
LEASE OF IMPROVED SPACE BETWEEN
THE PORT OF PORTLAND
AND
OREGON STEEL MILLS, INC.

LEASE OF IMPROVED SPACE INDEX

| SECTION 1 - AGREEMENT TO LEASE, PREMISES | Page Number |
|--|----------------|
| Section 1.1 - Description of Premises..... | 1 |
| Section 1.2 - Use of Premises..... | 1 |
| SECTION 2 - TERM | |
| Section 2.1 - Lease Term | 2 |
| SECTION 3 - RENT | |
| Section 3.1 - Basic Rent and Rent | 3 |
| Section 3.2 - Taxes | 3 |
| Section 3.3 - Security Deposit..... | 3 |
| Section 3.4 - Time and Place of Rent Payments | 4 |
| Section 3.5 - Delinquency and Administrative Charges | 4 |
| Section 3.6 - Acceptance of Rent | 4 |
| SECTION 4 - LESSEE'S OTHER OBLIGATIONS | |
| Section 4.1 - Construction of Improvements | 4 |
| Section 4.2 - Maintenance | 5 |
| Section 4.3 - No Liens | 5 |
| Section 4.4 - Utilities and Services | 5 |
| Section 4.5 - Signs | 6 |
| Section 4.6 - Port Access to Premises | 6 |
| Section 4.7 - Safety Requirements..... | 6 |
| SECTION 5 - PORT AUTHORITY AND OBLIGATIONS | |
| Section 5.1 - Delivery of Premises..... | 6 |
| Section 5.2 - Quiet Enjoyment | 7 |
| Section 5.3 - Condition of Premises | 7 |
| Section 5.4 - Port Construction Obligation..... | 7 |
| Section 5.5 - Port Maintenance Obligation | 7 |
| Section 5.6- Port Authority Over Common Areas | 7 |
| SECTION 6 - ENVIRONMENTAL OBLIGATIONS OF LESSEE | |
| Section 6.1 - Definitions..... | 7 |
| Section 6.2 - Initial Environmental Audit..... | 8 |
| Section 6.3 - Limited Business Use of Hazardous Substances.... | 9 |

LEASE OF IMPROVED SPACE INDEX

| | <u>Page Number</u> |
|--|------------------------|
| Section 6.4 - Environmental Inspection | 9 |
| Section 6.5 - Safety | 9 |
| Section 6.6 - Disposal of Hazardous Substances | 10 |
| Section 6.7 - Notice to Port | 10 |
| Section 6.8 - Environmental Remediation | 10 |
| Section 6.9 - Certification | 10 |
| Section 6.10 - Documentation of Hazardous Substances | 11 |
| SECTION 7 - INDEMNITY, INSURANCE | |
| Section 7.1 - General Indemnity | 11 |
| Section 7.2 - Environmental Indemnity | 11 |
| Section 7.3 - Insurance Requirements | 12 |
| Section 7.4 - Required Insurance | 13 |
| Section 7.5 - Waiver of Subrogation | 14 |
| SECTION 8 - TERMINATION | |
| Section 8.1 - Duties on Termination | 14 |
| Section 8.2 - Lessee's Personal Property | 14 |
| Section 8.3 - Holding Over | 14 |
| Section 8.4 - Exit Audit and Remediation | 15 |
| SECTION 9 - DEFAULT | |
| Section 9.1 - Event of Default | 15 |
| Section 9.2 - Remedies on Default | 16 |
| Section 9.3 - Remedies Cumulative and Nonexclusive | 16 |
| Section 9.4 - Curing Lessee's Defaults | 17 |
| Section 9.5 - Default by Port | 17 |
| SECTION 10 - ASSIGNMENT, SUBLEASE AND TRANSFER BY PORT | |
| Section 10.1 - Prohibition | 17 |
| Section 10.2 - Effect of Consent | 18 |
| Section 10.3 - Transfer by the Port | 18 |
| Section 10.4 - Estoppel Certificates | 18 |

LEASE OF IMPROVED SPACE INDEX

| | <u>Page Number</u> |
|--|------------------------|
| SECTION 11 - GENERAL PROVISIONS | |
| Section 11.1 - Covenants, Conditions, and Restrictions | 18 |
| Section 11.2 - Governing Law | 19 |
| Section 11.3 - No Benefit to Third Parties | 19 |
| Section 11.4 - Port Consent | 19 |
| Section 11.5 - No Implied Warranty | 19 |
| Section 11.6 - Notices | 19 |
| Section 11.7 - Time of the Essence | 20 |
| Section 11.8 - Nonwaiver | 20 |
| Section 11.9 - Survival | 20 |
| Section 11.10 - Partial Invalidity | 20 |
| Section 11.11 - No Light or Air Easement | 20 |
| Section 11.12 - Lease Subject to Bonds and Ordinances | 20 |
| Section 11.13 - Limitation on Port Liability | 21 |
| Section 11.14 - Headings | 21 |
| Section 11.15 - Exhibits Incorporated by Reference | 21 |
| Section 11.16 - Calculation of Time | 21 |
| Section 11.17 - Modification | 21 |
| Section 11.18 - Brokers | 21 |
| Section 11.19 - Attorney Fees | 21 |
| Section 11.20 - Dispute Resolution | 22 |
| Section 11.21 - Entire Agreement | 22 |
| Section 11.22 - Successors | 22 |
| Section 11.23 - Joint and Several Obligations | 22 |
| Section 11.24 - Execution of Multiple Counterparts | 22 |
| Section 11.25 - Defined Terms | 22 |
| Section 11.26 - No Limit on Port's Powers | 23 |

MONTH TO MONTH
LEASE
OF IMPROVED SPACE

THIS LEASE, effective the 10th day of July, 1995, ("Effective Date") is between The Port of Portland, a port district of the State of Oregon (the "Port"), and Oregon Steel Mills, Inc., an Oregon corporation ("Lessee") for lease of certain described Premises located at the Portland Ship Yard ("PSY").

The parties, intending to be legally bound by the terms of this Lease, agree as follows:

SECTION 1 AGREEMENT TO LEASE, PREMISES

1.1 Description of Premises. The Port leases to Lessee, and Lessee leases from the Port, the area commonly known as Bay 1, Building 4, identified on Exhibit "A", attached hereto and made a part hereof, and all improvements located thereon, (collectively, the "Premises"). Upon construction or installation of any additional improvements approved by the Port as provided herein, in, under or upon the Premises, including without limitation, any buildings, roads, driveways, parking areas, landscaped areas, pipes, fences, walls, sidewalks, stairs, tanks, paved areas, utility distribution facilities or signs (collectively, together with existing improvements, the "Improvements"), such Improvements shall also be deemed a part of the Premises, except to the extent excluded under the terms of this Lease. Improvements added to the Premises by Lessee shall be deemed Lessee's property until termination of this Lease, at which time all such Improvements, at the option of the Port, may revert to the Port and become Port property.

1.2 Use of Premises.

1.2.1 Permitted Use and Compliance with all Laws. Lessee shall use the Premises only for the following purpose(s): storage and assembly of parts to be used for steel rolling mill expansion. No other use may be made of the Premises without the prior written approval of the Port, which approval shall be in the sole discretion of the Port. Use must be in conformance with Port rules and regulations applicable to the Premises which may be in effect from time to time (collectively, the "Port Rules"), and as modified from time to time. Lessee shall also comply with all applicable laws, ordinances, rules and regulations of the state or federal government and all other government authorities with jurisdiction over the Premises. Lessee shall promptly provide to the Port copies of all communications from any such government entity which relate to Lessee's noncompliance or alleged noncompliance with any law or other government requirement.

1.2.2 Limits on Use. No sandblasting or spray painting may be permitted on the Premises, nor shall paints, thinners or solvents be stored on the Premises. Lessee shall not, without the prior written consent of the Port, use any device which would cause substantial noise, vibration, fumes or electronic interference on the Premises. No satellite or cable receiving equipment, electronic transmitting devices (other than telephone, telex or telecopier machines) shall be installed, maintained or operated on the Premises except with written approval of the Port. Lessee shall not overload the electrical circuits from which Lessee obtains current. Lessee shall provide Lessee's own surge protection for power furnished to computers and any other electronic devices/equipment approved for use by the Port. Lessee shall not use or permit anyone else to use the Premises, or permit anything to be done in the Premises, which (a) adversely affects, or is likely to adversely affect, the Premises or any element or part of the Premises, or the operations of the Premises; (b) creates any condition that may be a safety hazard; (c) creates a condition that may increase the rate of fire insurance for the Premises or prevent the Port from taking advantage of any ruling of an insurance rating bureau that would allow the Port to obtain reduced rates for its insurance policies or violates any requirements of Lessee's insurance carrier; (d) creates a hazard or a nuisance to other tenants or occupants of nearby facilities.

1.2.3 Crane Use. Lessee shall not in any manner overload the Port-owned crane located within the Premises, or operate said crane in a manner inconsistent with its design or intended use.

1.2.4 Appurtenant Rights. Lessee, Lessee's customers, agents, representatives, suppliers, subcontractors, employees and invitees authorized to be operating in PSY shall have the nonexclusive right to use the Common Areas in common with the Port and with others to whom the Port has granted or may grant such right. The term "Common Areas" generally means existing parking areas, roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, and any other areas, except for berth and drydock lay down areas, and such other areas as have been designated by the Port as areas to be used by tenants of the Port or those having Facility Agreements in common with other tenants and users of the Port. Notwithstanding the foregoing, nothing stated herein shall prohibit the Port from barring from Port property any person or entity which fails to comply with applicable laws, ordinances, rules and regulations including those adopted by the Port Commission and those adopted by the Executive Director or the Executive Director's designee.

SECTION 2

TERM

2.1 Lease Term. The term of this Lease shall commence on July 10, 1995, ("Commencement Date") and shall continue month to month, but in no event beyond December 31, 1995, until terminated by either party upon the giving of thirty days' written notice, unless otherwise terminated pursuant to the terms of this Lease.

SECTION 3

RENT

3.1 Basic Rent and Rent. Lessee shall pay to the Port monthly rent in the amount of \$6,250.00, referred to as "Basic Rent." In addition to Basic Rent, Lessee agrees to pay for the Port-provided utilities described in Section 4.4 of this Lease. The rates for Port-provided utilities are shown on Exhibit B to this Lease. All other sums which become payable by Lessee to the Port, including but not limited to payment for Port-provided utilities, shall be considered "Additional Rent" due under this Lease. "Rent," as used herein, shall mean all such Additional Rent, together with Basic Rent. Lessee shall pay Basic Rent for the first and last months upon execution of this Lease.

3.2 Taxes. "Taxes" means all taxes and all assessments of any public authority against the Premises, including all real property taxes assessed against the Premises. Taxes also include any personal property taxes assessed against any Port owned property leased to Lessee hereunder. Other taxes included are rent taxes, gross receipt taxes, business license taxes and fees for permits and any other tax or charge levied wholly or partly in lieu thereof, and the cost of contesting the same. Lessee shall be responsible for paying all such Taxes on time. Upon request by the Port, Lessee shall supply the Port with proof that all such taxes have been paid. Lessee further agrees and understands that because the Port is a tax-exempt entity, Lessee shall be responsible for all real property taxes for the entire tax year (currently July 1 - June 30) even if Lessee's Lease terminates prior to the expiration of the tax year. Lessee shall pay, when due, all taxes and fees assessed against and levied against Lessee's fixtures, equipment, furnishings and personal property located in or on the Premises.

3.3 Security Deposit. In addition to payments of Rent, Lessee shall deposit with the Port, upon execution of this Lease, cash in the amount of \$6,250.00, as a security deposit (the "Deposit"). The Deposit shall not earn interest, shall not be considered to be held in trust for Lessee and shall not be considered an advance payment of rent or a measure of the Port's damages in the event of a default by Lessee, and may be commingled with other funds of the Port. The Port may, but shall not be obligated to, apply all or any part of the Deposit to Rent or other amount not paid by Lessee when due or any amount which the Port may expend or incur by reason of Lessee's failure to perform any obligation under this Lease. If the Port applies all or any part of the Deposit, Lessee shall, upon demand, immediately replenish the Deposit to its original full amount. If Lessee fully performs all of Lessee's obligations under this Lease, the Deposit, or any balance remaining, shall be returned to Lessee within thirty (30) days after the expiration of this Lease and delivery to the Port of possession of the Premises as required by this Lease. In the event of any sale of the Port's interest in the Premises, the Port may transfer the Deposit to the purchaser and the Port shall have no further liability to refund the Deposit. In the event that the Deposit is in a form other than cash, the Deposit shall be made pursuant to a written agreement between Lessee and the Port containing such terms and conditions as are acceptable to the Port. In the event that the Port and Lessee are unable to agree on the terms of the agreement respecting the Deposit on or before the date such Deposit is due, the Lessee shall deposit cash.

3.4 Time and Place of Basic Rent Payments. Lessee shall make payment of all Basic Rent in advance, on or before the first day of each month ("Due Date") without offset, abatement or deduction to the Port to the following address or such other address as the Port may later designate as provided herein:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208

3.5 Delinquency and Administrative Charges. All amounts not paid by Lessee when due shall bear a delinquency charge of eighteen percent (18%) per annum or, if less, the maximum rate of interest allowed by law, from the date of delinquency until paid. The delinquency charge on the overdue amounts shall be subject to periodic increase in the sole discretion of the Port. In addition to the interest charge, the Port may, at its option, also impose an administrative charge of five cents (\$.05) for each one dollar (\$1) for Rent payments more than seven (7) days delinquent without waiving any other remedies available for failure to timely pay Rent. The Port's failure to impose a delinquency or administrative charge shall not be a waiver of the Port's other rights and remedies for such delinquent payment, nor of the Port's right to later charge and collect an administrative charge for such delinquency. Acceptance of any delinquency or administrative charge by the Port shall in no event constitute a waiver of Lessee's default with respect to the overdue amount in question, nor prevent the Port from exercising any of the other rights and remedies granted under this Lease or by law.

3.6 Acceptance of Rent. The Port's acceptance of a late or partial payment of Rent shall not constitute a waiver of any Event of Default (defined in Section 9 below). Endorsements or statements on checks of waiver, compromise, payment in full or the like shall have no legal effect. Lessee shall nonetheless remain in default and shall also remain obligated to pay all Rent due even if the Port has accepted such partial or late payment.

SECTION 4 LESSEE'S OTHER OBLIGATIONS

4.1 Construction of Improvements.

4.1.1 Port Approval. Subject to all the requirements of this Section 4, the Port hereby agrees to allow Lessee, at Lessee's cost and expense, and to the Port's specifications and under the Port's supervision, to enlarge the bay door opening to Bay 1. The Port may require the door opening to be restored to its condition at the Commencement Date upon termination of the Lease. Lessee shall undertake no other construction, alteration, or changes ("Work"), on or to the Premises, without the prior written consent of the Port. The Port may require Lessee to submit to the Port for approval any of the following: the name of the proposed contractor; final plans and specifications; a site-use plan; and architectural renderings. Approval should be obtained prior to application for any building or like permit. The Port may condition its approval on Lessee's obtaining and delivering to the Port a performance bond and a labor and materials payment bond (issued by a corporate surety licensed to do business in Oregon), each in an amount

equal to the estimated cost of the construction and in a form satisfactory to the Port. All improvements installed on the Premises by Lessee, other than Lessee's removable trade fixtures, shall be deemed a part of the Premises.

4.1.2 Permits and Licenses. No Work may commence until Lessee obtains and delivers to the Port copies of all required governmental permits and licenses, including any required greenway permit.

4.1.3 Other Requirements. All Work shall be performed in a good and workman-like manner and in conformance with applicable Port Rules and all permit requirements. All Work shall be done with reasonable dispatch, and in accordance with any completion schedule agreed upon between the Port and Lessee. If requested by the Port, within thirty (30) days after the completion of any Work covered by this Section 4, Lessee shall deliver to the Port complete and fully detailed "As-Built" drawings of the completed Improvements, prepared by an architect licensed by the State of Oregon.

4.2 Maintenance.

4.2.1 General. Except for the Port maintenance responsibilities provided in Section 5.5, Lessee shall keep and maintain the Premises and all Improvements, systems, and equipment located thereon, in safe and clean condition and in good repair. Lessee shall make all necessary and appropriate preventive maintenance, repairs, and replacements. Without limiting Lessee's responsibilities under this Lease, Lessee shall be specifically responsible for the repair and maintenance of electric lines and fixtures, flooring, partitions, walls, ceilings, exterior doors and windows within the Premises. Lessee shall provide, at Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

4.3 No Liens. Lessee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been provided or ordered with Lessee's consent to the Premises. If any lien is filed against the Premises which Lessee wishes to protest, then Lessee shall immediately notify the Port of the basis for its protest and must deposit cash with the Port, or procure a bond acceptable to the Port, in an amount sufficient to cover the cost of removing the lien from the Premises. Failure to remove the lien or furnish the cash or a bond acceptable to the Port within ten (10) days shall constitute an Event of Default under this Lease and the Port shall automatically have the right, but not the obligation, to satisfy the lien without further notice to Lessee and Lessee shall immediately reimburse the Port for any sums so paid to remove any such lien.

4.4 Utilities and Services. The following utilities shall be provided by the Port and paid for by Lessee as provided in Section 3.1 of this Lease: compressed air and water and sewer, and gas and oxygen. Lessee must make arrangement for all utilities not provided by the Port, and shall promptly pay all utility charges before delinquent. Interruption of services or utilities shall not be deemed an eviction or disturbance of Lessee's use and possession of the Premises, render the Port liable to Lessee for damages, or relieve Lessee from performance of Lessee's obligations

under this Lease, including full payment of all Rent due. If Lessee wishes to install new utility lines, Lessee must first obtain the written permission of the Port. Whether to grant or deny permission shall be in the sole discretion of the Port. If permission is granted, Lessee must provide the Port with a survey showing the precise location of such lines.

4.5 Signs. Lessee shall not erect, install, nor permit upon the Premises any sign or other advertising device without first having obtained the Port's written consent, which the Port may withhold in its sole discretion. All signs must also comply with all local laws governing signage. Lessee shall remove all signs and sign hardware upon termination of this Lease and restore the sign location to its former state, unless the Port elects to retain all or any portion of the signage.

4.6 Port Access to Premises. The Port shall have the right to enter upon the Premises for the purposes of: (1) confirming the performance by Lessee of all obligations under this Lease; (2) doing any other act which the Port may be obligated or have the right to perform under this Lease; and (3) for any other lawful purpose. Such entry shall be made on reasonable advance notice and during normal business hours, where practical, except in cases of emergency or a suspected violation of this Lease or the law. Lessee waives any claim against the Port for damages for any injury or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry except to the extent caused by the gross negligence or wilful misconduct of the Port. The Port shall, at all times, retain a key with which to unlock all doors in, upon or about the Premises, and the Port shall have the right to use any and all means which the Port may deem reasonable to open such doors in an emergency in order to obtain entry into the Premises.

4.7 Safety Requirements.

4.7.1 Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of Lessee pursuant to this Lease.

4.7.2 Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

SECTION 5 PORT AUTHORITY AND OBLIGATIONS

5.1 Delivery of Premises. Lessee shall have the right to possession of the Premises as of the Commencement Date. The Port shall have no liability to Lessee for delay in delivering possession.

5.2 Quiet Enjoyment. Subject to Lessee performing all of Lessee's obligations under this Lease and subject to the Port's rights of condemnation under Oregon law and its rights under this Lease, Lessee's possession of the Premises will otherwise not be disturbed by the Port.

5.3 Condition of Premises. The Port makes no warranties or representations regarding the condition of the Premises, including, without limitation, the environmental condition of the Premises or the suitability of the Premises for Lessee's intended uses. Lessee accepts the Premises in "AS IS" condition. The Port shall have no liability to Lessee, and Lessee shall have no claim against the Port, for any damage or injury caused by the condition of the Premises. The Port shall have no responsibility to bring the Premises into compliance with any laws, including, without limitation, any building or occupancy codes. Lessee shall be solely responsible for thoroughly inspecting the Premises and ensuring that it is in compliance with all laws, including all requirements of the Americans With Disabilities Act ("ADA").

5.4 Port Construction Obligation. The Port shall have no construction obligations hereunder.

5.5 Port Maintenance Obligation. Subject to Lessee's maintenance obligations as described in Section 4.2.1 and Lessee's obligations to repair damage caused by its acts or failure to act on the Premises, the Port shall otherwise be responsible for maintenance of the exterior walls and the roof of the Premises, maintenance of the exterior utility systems to the service connection points inside the Premises, maintenance of the high pressure sodium overhead lights, and planned maintenance, minor repairs and upgrading as planned under the Port's long term capital and maintenance program for the Port-owned crane in Bay 1. Any and all maintenance and repair work not specifically described in this Lease as the responsibility of the Port shall be the responsibility of the Lessee. Clogs in drains caused by Lessee beyond the service connection points shall be Lessee's responsibility.

5.6 Port Authority Over Common Areas. In addition to any other rights granted by law or by this Lease, the Port reserves the following specific rights with respect to the Common Areas: (i) to adjust the boundaries of, expand or delete Common Areas; (ii) to change Port Rules for the use of the Common Areas; (iii) to permit the use of the Common Areas by others in such manner as the Port may from time to time determine; (iv) to close all or any portion of the Common Areas (so long as Lessee still has ingress and egress to the Premises); (v) to construct additional buildings or other improvements in the Common Areas; and (vi) to evict anyone from the Common Areas who fails to comply with any applicable laws including applicable Port Ordinances and/or Port Rules.

SECTION 6 ENVIRONMENTAL OBLIGATIONS OF LESSEE

6.1 Definitions. As used in this Lease, the following terms shall be defined as follows:

6.1.1 "Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state and local statutes, regulations, rules and ordinances now or hereafter in effect, as the same may be amended from time to time, which in any way govern materials, substances or products and/or relate to the protection of health, safety or the environment.

6.1.2 "Hazardous Substances" shall be interpreted in the broadest sense to include any substance, material or product defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or substances or any other similar term in or under any Environmental Laws.

6.1.3 "Environmental Costs" shall be interpreted in the broadest sense to include, but shall not necessarily be limited to: (i) costs or expenses relating to any actual or claimed violation of or noncompliance with any Environmental Law; (ii) all claims of third parties, including governmental agencies, for damages, response costs or other relief; (iii) the cost, expense or loss to the Port as a result of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (iv) all expenses of evaluation, testing, analysis, clean-up, remediation, removal and disposal relating to Hazardous Substances, including fees of attorneys, engineers, consultants, paralegals and experts; (v) all expenses of reporting the existence of Hazardous Substances or the violation of Environmental Laws to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (vi) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying, telephone and telefax charges and other expenses; and (vii) any damages, costs, fines, liabilities and expenses which are claimed to be owed by any federal, state or local regulating or administrative agency.

6.2 Initial Environmental Audit. Prior to the Commencement Date of this Lease, the Port has conducted a brief visual environmental assessment of the Premises ("Initial Assessment"). That Initial Assessment revealed no evidence of contamination of the Premises and a presumption therefore exists that as of the Commencement Date, the Premises is free of any environmental contamination. At the request of Lessee, Port will provide a copy of the results of this Initial Assessment to Lessee. The Initial Assessment shall be used as a baseline for determination of potential future environmental liability. Prior to taking possession of the Premises, Lessee has been advised that Lessee is free to and is encouraged to conduct, at Lessee's sole cost and expense, its own environmental audit ("Initial Audit") of the Premises. If Lessee wishes to conduct such an audit, the scope of the audit shall be agreed upon by the parties. The Port and Lessee shall each receive a copy of the Initial Audit report, signed and certified by the firm hired to perform the Initial Audit. The Initial Audit shall then be used as a baseline for determination of potential future environmental liability and; if contamination not shown in this Initial Audit is later found, particularly at the time of the Exit Audit described in Section 8.4 below, then a rebuttable presumption will exist that Lessee is responsible for that contamination. If Lessee does not conduct such an audit, a rebuttable presumption will exist as stated above that any contamination found on the Premises after the Commencement Date of this Lease is the responsibility and liability of Lessee.

6.3 Limited Business Use of Hazardous Substances. Lessee may, in the normal course of Lessee's business and to the extent necessary for Lessee's permitted use of the Premises, use certain Hazardous Substances on the Premises in compliance with all of the following conditions: (a) use of such Hazardous Substances is in compliance with all Environmental Laws; (b) use of such Hazardous Substances does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage; (c) other than ordinary office and janitorial supplies and substances fully contained inside of automobiles located on the Premises, Lessee shall be permitted to use only those Hazardous Substances as have been specifically identified and consented to, in writing, by the Port and only in such quantities as have been so consented to by the Port. The Port may condition its consent to the use or presence of any Hazardous Substance on the Premises upon Lessee's giving the Port such additional assurances as the Port, in its discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination, injury or liability therefrom, including, but not limited to, the installation (and removal on or before termination of the Lease) of reasonable protective modifications to the Premises or an increase in the security deposit and insurance coverage. The Port reserves the right to inventory or cause to be inventoried any such Hazardous Substances being used and to approve or deny use of the same. Ordinary janitorial supplies which are available over the counter for use by the general public may be used on the Premises without written permission from the Port so long as they are used in small quantities for normal clean-up activities and in accordance with all laws and the provisions of this Lease. In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premises which are generated by or from cleanup, removal, or remediation operations or activities from third party sources outside PSY. Tanks located on the Premises must be located on a paved or concrete surface to prevent any runoff of materials that might spill or leak out of the tanks. The tank area must also have a screening berm maintained around it to the Port's satisfaction.

6.4 Environmental Inspection. The Port reserves the right to inspect for Hazardous Substances and/or Lessee's management of Hazardous Substances on the Premises at any time, and from time to time, without notice to Lessee or any subtenant. If the Port, at any time during the term of this Lease or any extension thereof, has reason to believe that Lessee is handling Hazardous Substances contrary to the requirements of this Lease, in violation of this Lease or in any manner that may allow contamination of the Premises, the Port may, without limiting its other rights and remedies, require Lessee to furnish to the Port, at Lessee's sole expense, an environmental audit or environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting such audit and the audit procedures. The Port shall be given an original copy of the audit results. Lessee shall cooperate with all such requests.

6.5 Safety. Pursuant to the terms of this Lease, Lessee must comply with all applicable state, federal and local laws and ordinances. As a part of this requirement, Lessee shall maintain Material Safety Data Sheets for each and every Hazardous Substance used by Lessee, Lessee's agents, employees, contractors, licensees or invitees on the Premises, as required under the Hazard Communication Standard in 29 CFR §1910.1200, as it may be amended, redesignated or retitled from time to time, and comparable state and local statutes and regulations. In order to

ensure that such information is available to the Port in the event of a spill or other emergency, all such information shall be kept current at all times and a copy of all such materials shall be kept in a place known to and easily accessible to the Port.

6.6 Disposal of Hazardous Substances. Lessee shall not dispose of any Hazardous Substance, regardless of the quantity or concentration, within the storm and/or sanitary sewer drains and plumbing facilities within the Premises, or other property of the Port. The disposal of Hazardous Substances shall be in approved containers and removed from the Premises only in accordance with the law. If Lessee knows, or has reasonable cause to believe, that any release of a Hazardous Substance has come to be located on or beneath the Premises, Lessee must immediately give written notice of that condition to the Port.

6.7 Notice to Port. Lessee shall immediately notify the Port upon becoming aware of a violation or alleged violation of any Environmental Law and/or: (1) any leak, spill, release or disposal of a Hazardous Substance on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to Lessee or any other person relating to such Hazardous Substances on, under or adjacent to the Premises or any violation or alleged violation of any Environmental Laws with respect to the Premises.

6.8 Environmental Remediation. In the event of a leak, spill or release of a Hazardous Substance, or any other substance in violation of Environmental Laws, on the Premises (or in any adjacent or nearby waterways, on adjacent properties or in any Common Areas, if caused by Lessee), or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all acts necessary or appropriate to contain, clean up and remove the Hazardous Substance. Lessee shall also undertake, within a reasonable time, all investigatory, remedial and/or removal actions necessary or appropriate to ensure that any contamination by the Hazardous Substance is eliminated and any violation of any Environmental Law is stopped. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individuals conducting such procedures. Within thirty (30) days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a report outlining in detail what has been done by Lessee to cure any such problems. Promptly upon written notice from the Port or from any governmental entity, Lessee shall remove from the Premises (including, without limitation, the soil and surface and ground water thereof), at Lessee's own cost and expense, all Hazardous Substances which have been released on, in, under or about the Premises, during the term of this Lease or any prior lease held by Lessee and shall restore the Premises to its pre-contamination condition, in conformance with all applicable governmental laws, rules and regulations. Any Environmental Costs incurred by or assessed against the Port shall be promptly paid by Lessee after the Port incurs the obligation to pay such Costs or determines that an Environmental Cost is duly owing and the Port so notifies Lessee. If a spill or contamination is discovered by Lessee but such spill or contamination is not on the Premises and is not the responsibility of Lessee under this Lease, Lessee must still immediately notify the Port of any problem or possible problem.

6.9 Certification. Not later than thirty (30) days after receipt of written request from

the Port, Lessee shall provide a written certification to the Port, signed by Lessee, which certifies that Lessee has not received any notice from any governmental agency regarding a violation of any Environmental Law; or, if such notice was received, Lessee shall explain the reason for the notice, what has been done to remedy the problem and shall attach a copy of the notice. Lessee shall also certify that Lessee has obtained and has in force all permits required under Environmental Law. Copies of all such permits shall be made available to the Port upon request.

6.10 Documentation of Hazardous Substances. Lessee shall maintain for periodic inspection by the Port and deliver to the Port, at the Port's request, true and correct copies of the following documents (hereinafter referred to as the "Documents") related to the handling, storage, disposal and emission of Hazardous Substances, concurrently with the receipt from or submission to a governmental agency: Permits; approvals; reports and correspondence; storage and management plans; spill prevention control and countermeasure plans; other spill contingency and emergency response plans; documents relating to taxes for Hazardous Substances; notice of violations of any Environmental Laws; plans relating to the installation of any storage tanks to be installed in, under or around the Premises (provided said installation of tanks shall only be permitted after Port has given Lessee its written consent to do so, which consent may be withheld in Port's sole discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks or other facilities installed in, on or under the Premises.

SECTION 7 INDEMNITY, INSURANCE

7.1 General Indemnity. Upon the Commencement Date of this Lease, Lessee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties (collectively "Costs") which may be imposed upon or claimed against the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with: (1) any act, omission or negligence of Lessee or Lessee's subtenants or licensees or any of their respective partners, officers, directors, agents, employees, invitees or contractors; (2) any use, occupation, management or control of the Premises by Lessee, whether or not due to Lessee's own act or omission and whether or not occurring on the Premises; (3) any condition created in or about the Premises by any party, other than the Port or an agent of the Port, including any accident, injury or damage occurring on or about the Premises after the Commencement Date; (4) any breach, violation or nonperformance of any of Lessee's obligations under this Lease; (5) any damage caused by Lessee on or to the Premises. For purposes of this Section 7.1(1) through (5) and Section 7.2 below, "Lessee" shall be deemed to include Lessee and Lessee's sublessees and licensees and all respective partners, officers, directors, agents, employees, invitees and/or contractors.

7.2 Environmental Indemnity. Without in any way limiting the generality of the foregoing Section 7.1 concerning General Indemnity, Lessee shall be solely responsible for and agrees to defend (using legal counsel acceptable to the Port), indemnify and hold harmless the

Port from and against all Environmental Costs claimed against or assessed against the Port arising, in whole or in part, directly or indirectly, from acts or omissions of any person or entity at or about the Premises after the Commencement Date of this Lease or earlier if caused by Lessee or Lessee's agents or invitees. This indemnification shall require Lessee to reimburse the Port for any diminution in value of the Premises or other adjacent or nearby Port property, caused by Hazardous Substances, including damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or any other Port property, including damages arising from any adverse impact on marketing of space in or near the Premises, including other Port property. Lessee's obligations shall not apply if the Hazardous Substances were deposited on the Premises by the Port or the Port's agents. Lessee shall be solely responsible to assure that no person brings Hazardous Substances onto the Premises. Notwithstanding the foregoing, Lessee shall not be responsible for, and does not indemnify the Port for, any actions of the Port that cause environmental damage or a violation of any Environmental Law on the Premises.

7.3 Insurance Requirements.

Insurance requirements set forth below do not in any way limit the amount or scope of liability of Lessee under this Lease. The amounts listed indicate only the minimum amounts of insurance coverage the Port is willing to accept to help insure full performance of all terms and conditions of this Lease. All insurance required by this Lease shall meet the following minimum requirements:

7.3.1 Certificates; Notice of Cancellation. On or before the Commencement Date, Lessee shall provide the Port with certificates of insurance establishing the existence of all insurance policies required under this Section 7. Thereafter, the Port must receive notice of the expiration or renewal of any policy at least thirty (30) days prior to the expiration or cancellation of any insurance policy. No insurance policy may be canceled, revised, terminated or allowed to lapse without at least thirty (30) days prior written notice being given to the Port. Insurance must be maintained without any lapse in coverage continuously for the duration of this Lease. Insurance canceled without Port consent shall be deemed an immediate Event of Default under this Lease. The Port shall also be given certified copies of Lessee's policies of insurance upon request.

7.3.2 Additional Insured. The Port shall be named as an additional insured in each required policy and, for purposes of damage to the Premises, as a loss payee. Such insurance shall not be invalidated by any act, neglect or breach of contract by Lessee.

7.3.3 Primary Coverage. The required policies shall provide that the coverage is primary, and will not seek any contribution from any insurance or self-insurance carried by the Port.

7.3.4 Company Ratings. All policies of insurance must be written by companies having an A.M. Best rating of "A" or better, or equivalent. The Port may, upon thirty (30) days written notice to Lessee, require Lessee to change any carrier whose rating drops below an "A" rating.

7.4 Required Insurance

At all times during this Lease, Lessee shall provide and maintain the following types of coverage:

7.4.1 General Liability Insurance. Lessee shall maintain an occurrence form commercial general liability policy (including coverage for broad form contractual liability; sudden and accidental spill coverage on land and on water; and any personal injury liability) for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. Such coverage shall name the Port as an additional insured. Coverage shall be in an amount of not less than THREE MILLION DOLLARS (\$3,000,000) combined single limit per occurrence for bodily injury and property damage for all coverage specified herein.

7.4.2 Fire Legal Liability Insurance. The Port shall insure the building space and all improvements affixed thereto, considered to be part of the building, being leased by Lessee as a part of the leased Premises. Lessee is responsible to insure all of Lessee's own personal property and trade fixtures, which items shall not be covered by Port insurance. Furthermore, Lessee must at all times carry Fire Legal Liability insurance coverage in an amount not less than ONE HUNDRED THOUSAND DOLLARS (\$100,000).

7.4.3 Automobile Liability Insurance. Lessee shall maintain an occurrence form automobile liability policy insuring Lessee and the Port against liability for damage because of bodily injury, death, or damage to property, including loss of use thereof, and occurring or in any way related to the use, loading or unloading of Lessee's owned, hired and non-owned vehicles on and around the Premises. Such insurance shall name the Port as an additional insured. Coverage shall be in an amount of not less than ONE MILLION DOLLARS (\$1,000,000) combined single limit per occurrence.

7.4.4 Workers' Compensation Insurance. Lessee shall maintain in force Workers' Compensation insurance or self-insurance for all of Lessee's employees, including coverage for Employer's Liability, and, if applicable, Longshore and Harbor Workers' Compensation Act. In lieu of such insurance, Lessee may maintain a self-insurance program meeting the requirements of the State of Oregon and a policy of Excess Workers' Compensation with a limit of at least ONE MILLION DOLLARS (\$1,000,000) per accident above the self-insured retention.

7.4.5 Periodic Review. The Port shall have the right to periodically review the types, limits and terms of insurance coverage. In the event the Port determines that such types, limits and/or terms should be changed, the Port will give Lessee a minimum of thirty (30) days notice of such determination and Lessee shall modify its coverage to comply with the new insurance requirements of the Port. Lessee shall also provide the Port with proof of such compliance by giving the Port an updated certificate of insurance within fifteen (15) days.

7.5 Waiver of Subrogation. Except as limited by this Section, the parties hereto waive any right of action that they and/or their insurance carriers might have against the other for loss or damage, to the extent that such loss or damage is covered by any All-Risk property insurance policy or policies and to the extent that proceeds (which proceeds are free and clear of any interest of third parties) are received by the party claiming the loss or damages. This waiver of subrogation shall not extend to any applicable deductibles under such policy or policies.

SECTION 8 TERMINATION

8.1 Duties on Termination. Upon expiration or earlier termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the Premises and all Improvements in good clean condition. Improvements constructed by Lessee with permission from the Port shall, at the Port's option, become Port property and shall not be removed unless the Port directs Lessee to remove such Improvements, in which case Lessee must remove such Improvements and repair any damage to the Premises. All repair for which Lessee is responsible shall be completed prior to termination and surrender.

8.2 Lessee's Personal Property.

8.2.1 Removal Requirement. Furniture, decorations, detached floor covering, curtains, blinds, furnishings and removable trade fixtures shall remain the property of Lessee if placed on the Premises by Lessee, at Lessee's expense. At or before the termination of this Lease, Lessee, at Lessee's expense, shall remove from the Premises any and all of Lessee's removable personal property and shall repair any damage to the Premises resulting from the installation or removal of such property. Title to any items of Lessee's trade fixtures and other property which remain on the Premises after the termination date of this Lease may, at the option of the Port, be automatically taken by the Port, and the Port shall have the option, in its sole discretion, of: (a) retaining any or all of such trade fixtures and other property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such trade fixtures and other property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

8.2.2 Time for Removal. The time for removal of any property which Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the termination date of this Lease; or (2) within thirty (30) days after notice from the Port requiring such removal where the property to be removed is an Improvement which Lessee is not required to remove except after election or notice by the Port.

8.3 Holding Over. If Lessee holds over after this Lease terminates, Lessee shall be deemed a month-to-month holdover tenant or a tenant at sufferance, at the Port's sole discretion. In the event the Port deems Lessee as a month-to-month holdover tenant, Lessee shall remain bound by this Lease, except that: i) the tenancy shall be from month-to-month, subject to the payment of all Rent in advance; ii) the Port shall have the right to adjust the Rent upon thirty (30) days written notice to Lessee; and iii) such tenancy may be terminated at any time by written

notice from the Port to Lessee. In the event the Port deems Lessee as a tenant at sufferance, the Port shall be entitled to evict Lessee but the Port may still collect a charge for use of the Premises.

8.4 Exit Audit and Remediation. The Port may, at or near the expiration of this Lease by time or other termination, require the Lessee to conduct, at Lessee's sole cost and expense, an exit environmental audit (the "Exit Audit") of the Premises to determine whether there are any Hazardous Substances on or within the Premises. The Port shall have the right to approve the Exit Audit procedures and the company or individual conducting the audit. The Port shall be given a certified copy of the audit results. Lessee shall provide to the Port a supplemental update report as of the last day of the Lease. Lessee shall promptly remedy any contamination revealed by such audit for which Lessee is responsible under the terms of this Lease. Such remediation shall be performed in accordance with then applicable Environmental Laws prior to the expiration of the Lease. In the event Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge Lessee all resulting Environmental Costs. The Port shall give Lessee seven (7) days prior written notice of its intention to do the clean-up. Lessee agrees to pay to the Port such Environmental Costs incurred by the Port within thirty (30) days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port under this Lease, at law, or by equity. If Lessee does not conduct such audit as required herein, the Port may, at its sole option, and without further notice to Lessee, complete such audit and bill Lessee for all costs of conducting the audit.

SECTION 9 DEFAULT

9.1 Event of Default. The occurrence of any of the following shall constitute an Event of Default:

9.1.1 Default in Rent. Failure of Lessee to pay any Rent or other amount payable to the Port or to others as provided herein within ten (10) days after it is due. No notice by the Port that Rent or such other amount is past due shall be required.

9.1.2 Default in Other Covenants. Failure of Lessee to comply with any term, covenant or condition of this Lease (other than the payment of Rent or other amounts) within ten (10) days after written notice by the Port describing the nature of the default. If the default is of such a nature that it cannot be completely remedied within the ten (10) day period, this provision shall be complied with if Lessee begins correction of the default within the ten (10) day period and thereafter proceeds in good faith and with reasonable diligence to effect the cure as soon as practical, so long as done to the satisfaction of the Port. Notwithstanding the foregoing, the Port need not give notice for a similar type of default more than twice during the Lease, and a failure to perform such type of obligation after the second notice constitutes an Event of Default for which no further notice or opportunity to cure need be given. Furthermore, if any Event of Default threatens to cause serious harm to the Port or other tenants or persons, then the Port shall not be required to serve any notice before proceeding to request immediate injunctive relief.

9.1.3 Insolvency. To the extent permitted by the United States Bankruptcy Code, insolvency of Lessee shall be deemed to include an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee and the receiver is not discharged within ten (10) days; the filing of an involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days, shall all constitute an Event of Default hereunder. In these instances, no notice that an Event of Default has occurred shall be required from the Port.

9.1.4 Abandonment. Failure of Lessee for thirty (30) days or more to use and occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease. No notice that an Event of Default has occurred shall be required from the Port.

9.1.5 Failure to Abide by Laws. Failure of Lessee to comply with any applicable laws or any of the Port's Rules. If the default is not of a serious nature, which determination shall be in the sole discretion of the Port, and the default can be cured as outlined in Section 9.1.2 above, then the Port shall give Lessee ten (10) days notice of such default and Lessee shall be permitted to cure. If the violation is of a serious nature, to be determined in the sole discretion of the Port, then termination will be immediate and no opportunity to cure the default will be allowed.

9.1.6 Correction of Emergency. Failure of Lessee to immediately commence correction and control of an emergency upon notice from the Port. As used herein, "Emergency" shall mean any activity, cause or effect under the control or direction of Lessee, its employees, agents, invitees, guests, or subcontractors involving the health, safety, or general welfare of persons or property.

9.2 Remedies on Default. Immediately following an uncured Event of Default or an Event of Default for which there is no cure period, the Port may exercise any or all of the following remedies, in addition to any other rights and remedies provided in this Lease or at law or equity:

9.2.1 Re-entry. The Port may re-enter the Premises, or any part thereof, by suitable action or proceeding at law, or by force or otherwise, without being liable for indictment, prosecution or damages therefor, and may repossess the Premises and remove any person or property therefrom, to the end that the Port may have, hold and enjoy the Premises.

9.3 Remedies Cumulative and Nonexclusive. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by the Port of any such rights or remedies will not

preclude the simultaneous or later exercise by the Port of any other such rights or remedies. All such rights and remedies are nonexclusive.

9.4 Curing Lessee's Defaults. If Lessee shall default in the performance of any of Lessee's obligations under this Lease, the Port, without waiving such default, may (but shall not be obligated to) perform the same for the account of and at the expense of Lessee, without notice in a case of emergency, and in any other cases, only if such default continues after the expiration of ten (10) days from the date the Port gives Lessee notice of the default. The Port shall not be liable to Lessee for any claim for damages resulting from such action by the Port. Lessee agrees to reimburse the Port upon demand, as additional Rent, any amounts the Port may spend in complying with the terms of this Lease on behalf of Lessee. The Port shall have the same rights and remedies in the event of the nonpayment of sums due to be reimbursed under this Section as in the case of default by Lessee in the payment of any other Rent. Any sums to be so reimbursed shall bear interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by law, whichever is less.

9.5 Default by Port. In the event of any default by the Port, Lessee's exclusive remedy shall be an action for damages. Prior to being entitled to maintain any such action, Lessee shall give the Port written notice specifying such default with particularity, and the Port shall have thirty (30) days within which to cure any such default, or if such default cannot reasonably be cured within thirty (30) days, the Port shall then have thirty (30) days to commence cure and shall diligently prosecute cure to completion. Unless and until the Port fails to so cure such default after such notice, Lessee shall not have any remedy or cause of action by reason thereof. All obligations of the Port hereunder shall be construed as covenants, not conditions, and all such obligations shall be binding upon the Port only during the period of its ownership of the Premises and not thereafter.

SECTION 10

ASSIGNMENT, SUBLEASE AND TRANSFER BY PORT

10.1 Prohibition. This Lease is personal to Lessee. Therefore, unless otherwise provided in this Lease, no part of the Premises, nor any interest in this Lease, may be assigned, pledged, transferred, mortgaged, or subleased by Lessee, nor may a right of use of any portion of the Premises be conveyed or conferred on any third party by Lessee by any other means, without the prior written consent of the Port. Whether to deny or grant any such request shall be in the Port's sole discretion. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers, including any that may occur by operation of law. If Lessee is a corporation or other entity, any change in ownership of the controlling interest in the stock of the corporation or ownership interest in such other entity, through sale, exchange, merger, consolidation or other transfer, shall be deemed an assignment of this Lease requiring the Port's consent.

10.1.1 Port Costs. Lessee shall pay the Port's costs and expenses for reviewing Lessee's request for consent to assign or sublease and all related materials, including, without limitation, reasonable legal fees, whether or not the Port grants such consent.

10.2 Effect of Consent. No assignment or subletting by Lessee shall relieve Lessee of any obligation under this Lease and Lessee shall remain fully liable hereunder. Any attempted assignment or sublease by Lessee in violation of the terms and covenants of this Section 10 shall be void. Any consent by the Port to a particular assignment or sublease shall not constitute the Port's consent to any other or subsequent assignment or sublease. If consent is granted, Lessee shall provide a copy of the signed assignment or sublease document to the Port promptly after execution. The sublease or assignment instrument shall contain a provision requiring that the subtenant or assignee perform and observe all terms and conditions of this Lease and shall provide that the Port have the right to enforce such terms and conditions directly against such assignee or subtenant.

10.3 Transfer by the Port. At any time after the Commencement Date of this Lease, the Port shall have the right to transfer its interest in the Premises or in this Lease. In the event of such a transfer, the Lessee shall attorn to said transferee and recognize transferee as the new Lessor under the Lease. Thereafter, the Port shall be relieved, upon notification to Lessee of the name and address of the Port's successor, of any obligations accruing from and after the date of the transfer so long as the transferee agrees to assume all obligations of the Port under this Lease.

10.4 Estoppel Certificates. Lessee agrees to execute and deliver to Port, at any time and within ten (10) days after written request, a statement certifying: (1) that this Lease is unmodified and is in full force and effect (or if there have been modifications, stating the modifications); (2) the dates to which Rent has been paid; (3) whether or not the Port is in default in performance of any of its obligations under this Lease and, if so, specifying the nature of each such default; and (4) whether or not any event has occurred which, with the giving of notice, the passage of time, or both, would constitute such a default by the Port and, if so, specifying the nature of each such event. Lessee shall also include in any such statement such other information concerning this Lease as the Port reasonably requests. The parties agree that any statement delivered pursuant to this section shall be deemed a representation and warranty by Lessee which may be relied upon by the Port and by potential or actual purchasers and lenders with whom the Port may be dealing, regardless of independent investigation. If Lessee fails to provide such statement within ten (10) days after the Port's written request therefor, Lessee shall be deemed to have given such statement and shall be deemed to have admitted the accuracy of any information contained in the request for such statement.

SECTION 11 GENERAL PROVISIONS

11.1 Covenants, Conditions, and Restrictions. This Lease is subject and subordinate to the effect of any covenants, conditions, restrictions, easements, mortgages, deeds of trust, ground leases, rights of way, and any other matters of record now or hereafter imposed upon the Premises and to any applicable land use or zoning laws or regulations. Lessee shall, upon request of the Port, execute and deliver agreements of subordination in the form requested by the Port.

11.2 Governing Law. This Lease shall be governed and construed according to the laws of the State of Oregon, and venue for any litigation shall be in Multnomah County. To the extent applicable, the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein and shall control in the event of conflict with any provision of this Lease.

11.3 No Benefit to Third Parties. The Port and Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

11.4 Port Consent. If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable. Lessee's sole remedy shall be an action for specific performance or injunction, and such remedy shall be available only if the Port has expressly agreed, in writing, not to act unreasonably in withholding its consent or may not unreasonably withhold its consent as a matter of law and the Port has, in fact, acted unreasonably in either of those instances.

11.5 No Implied Warranty. In no event shall any consent, approval, acquiescence, or authorization by the Port be deemed a warranty, representation, or covenant by the Port that the matter approved, consented to, acquiesced in or authorized is appropriate, suitable, practical, safe or in compliance with any applicable law or this Lease. In no event shall the Port be deemed liable therefor. Lessee shall be solely responsible for such matters.

11.6 Notices. All notices required or desired to be given under this Lease shall be in writing and may be delivered by placement in the U.S. mail, postage prepaid, as certified mail, return receipt requested, addressed to the Port at:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208-3529
Attn: PSY Contracts Administrator

with a copy to:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208-3529
Attn: Legal Department

or by hand delivery to the Port at:

The Port of Portland
5555 N. Channel Avenue, Building 50
Portland, Oregon 97217
Attn: PSY Contracts Administrator

with a copy to:

The Port of Portland
700 N.E. Multnomah
Portland, Oregon 97232
Attn: Legal Department

and to Lessee to the Premises or to:

Oregon Steel Mills, Inc.
P.O. Box 2760
Portland, OR 97208
Attn: Eric Enquist

Any notice delivered by hand delivery shall be conclusively deemed received by the addressee upon actual delivery; any notice delivered by mail as set forth herein shall be conclusively deemed received by the addressee on the third business day after deposit. The addresses to which notices are to be delivered may be changed by giving notice of such change in accordance with this notice provision.

11.7 Time of the Essence. Time is of the essence in the performance of and adherence to each and every covenant and condition of this Lease.

11.8 Nonwaiver. Waiver by the Port of strict performance of any provision of this Lease shall not be deemed a waiver of or prejudice the Port's right to require strict performance of the same provision in the future or of any other provision.

11.9 Survival. Any covenant or condition (including, but not limited to, indemnification agreements), set forth in this Lease, the full performance of which is not specifically required prior to the expiration or earlier termination of this Lease, and any covenant or condition which by their terms are to survive, shall survive the expiration or earlier termination of this Lease and shall remain fully enforceable thereafter.

11.10 Partial Invalidity. If any provision of this Lease is held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

11.11 No Light or Air Easement. The reduction or elimination of Lessee's light, air, or view will not affect Lessee's obligations under this Lease, nor will it create any liability of the Port to Lessee.

11.12 Lease Subject to Bonds and Ordinances. This Lease shall be subject and subordinate to the bonds and ordinances which create liens and encumbrances as are now on the land which constitutes the Premises herein. Lessee agrees that the Port may hereafter adopt such

bond ordinances which impose liens or encumbrances on said land and the Port's interest in the leasehold, and that Lessee shall, upon request of the Port, execute and deliver agreements of subordination consistent herewith.

11.13 Limitation on Port Liability. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted, and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Ship repair also involves other hazards which may have an impact upon the Premises and/or Lessee's activities. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore. Lessee further agrees that the Port shall have no liability to Lessee for loss or damage suffered by Lessee on account of theft or any act of a third party including other tenants. The Port shall only be liable for its own wilful misconduct or gross negligence and then only to the extent of actual and not consequential damages. The Port shall not be liable for the consequence of admitting by passkey or refusing to admit to the Premises, Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

11.14 Headings. The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

11.15 Exhibits Incorporated by Reference. All Exhibits attached to this Lease are incorporated by reference herein for all purposes.

11.16 Calculation of Time. All periods of time referred to herein shall include Saturdays, Sundays and legal holidays in the State of Oregon. However, if the last day of any period falls on a Saturday, Sunday, or legal holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday or legal holiday.

11.17 Modification. This Lease may not be modified except by a writing signed by the parties hereto.

11.18 Brokers. Lessee represents that Lessee has not dealt with any leasing agent or broker in connection with this Lease and agrees to indemnify and hold the Port harmless from and against any and all damages, costs, and expenses arising in connection with any claim of an agent or broker alleging to have been retained by Lessee in connection with this Lease.

11.19 Attorney Fees. If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Lease or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law. If the Port is required to seek legal assistance to enforce any term of this Lease, such fees shall include all of the above fees, whether or not a proceeding is initiated. Payment of all such fees shall also apply to any administrative proceeding, trial, and/or

any appeal or petition for review. Whenever this Lease requires Lessee to defend the Port, it is agreed that such defense shall be by legal counsel acceptable to the Port.

11.20 Dispute Resolution. Should any dispute arise between the parties to this Lease other than a dispute regarding (1) the failure to pay any Rent or other payments as required by this Lease, or (2) possession, it is agreed that such dispute will be submitted to a mediator prior to any agreed upon arbitration proceeding or prior to a lawsuit being filed. The parties shall exercise good faith efforts to resolve disputes covered by this section through this mediation process. If a party requests mediation and the other party fails to respond within ten (10) days, or if the parties fail to agree on a mediator within ten (10) days, a mediator shall be appointed by the presiding judge of the Multnomah County Circuit Court upon the request of either party. The parties shall have any rights at law or in equity with respect to any dispute not covered by this Section 11.20. Nothing herein shall restrict either party from seeking emergency relief such as specific performance or injunctive relief prior to such mediation. Furthermore, any remediation of an environmental contamination or violation of an Environmental Law shall not be delayed in any way to allow for mediation.

11.21 Entire Agreement. This Lease represents the entire agreement between the Port and Lessee relating to Lessee's leasing of the Premises. It is understood and agreed by Lessee that neither the Port nor the Port's agents or employees have made any representations or promises with respect to this Lease or the making or entry into this Lease, except as in this Lease expressly set forth, and that no claim or liability or cause for termination shall be asserted by Lessee against the Port for, and the Port shall not be liable by reason of, the claimed breach of any representations or promises not expressly stated in this Lease, any other oral agreement with the Port being expressly waived by Lessee.

11.22 Successors. The rights, liabilities and remedies provided for herein shall extend to the heirs, legal representatives, successors and, so far as the terms of this Lease permit, successors and assigns of the parties hereto. The words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become such parties hereto.

11.23 Joint and Several Obligations. If Lessee consists of more than one individual or entity, the obligations of all such individuals and entities shall be joint and several.

11.24 Execution of Multiple Counterparts. This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one instrument.

11.25 Defined Terms. Capitalized terms shall have the meanings given them in the text of this Lease.

11.26 No Limit on Port's Powers. Nothing in this Lease shall limit, in any way, the power and right of the Port to exercise its governmental rights and powers, including its powers of eminent domain.

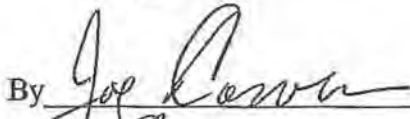
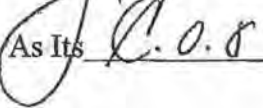
IN WITNESS HEREOF, the parties have subscribed their names hereto effective as of the year and date first written above.

LESSEE:

OREGON STEEL MILLS, INC.,
an Oregon corporation

By

As Its

LESSOR:

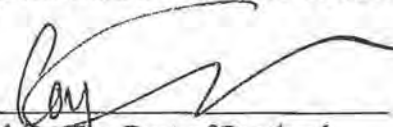
THE PORT OF PORTLAND

By

Mike Thorne

As its Executive Director

APPROVED AS TO LEGAL SUFFICIENCY


Counsel for The Port of Portland

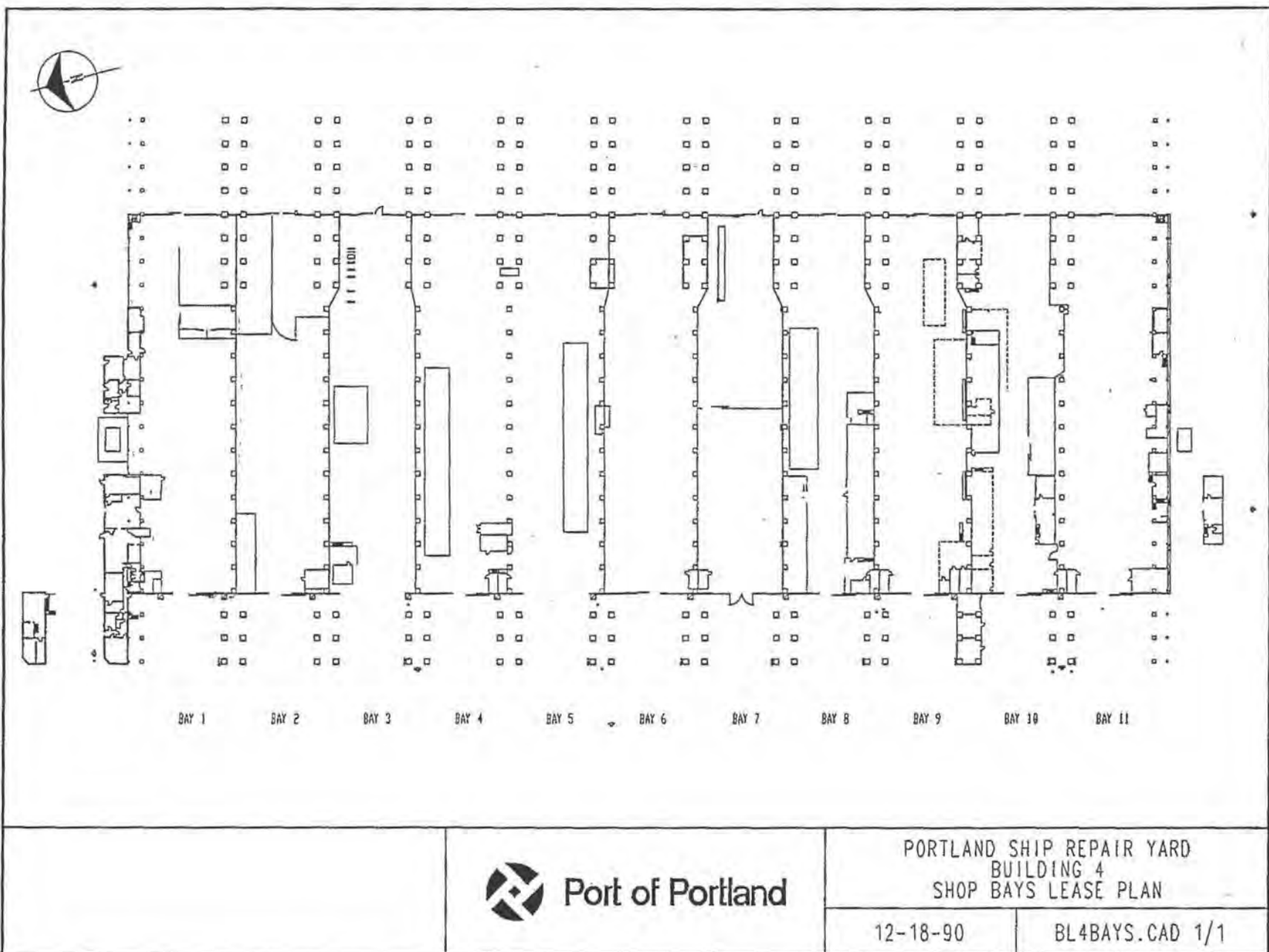


EXHIBIT A

EXHIBIT B

UTILITY SERVICES

This Exhibit "B" is part of the Lease dated July 10, 1995 between the PORT OF PORTLAND and OREGON STEEL MILLS, INC. for the rental of the improved space identified in Exhibit "A" to the Lease. For the authorized purpose of the Lease, the following utilities shall be provided at the stated rates subject to change upon thirty days written notice by the Port.

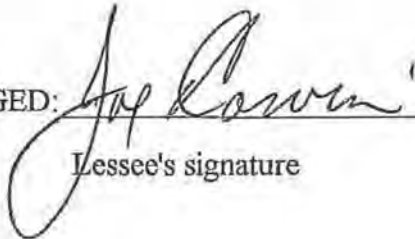
Water and Sewer \$150.00/month

Compressed Air \$385.00/month

Gas/Oxygen \$5.00/CCF

Lessee shall arrange for electricity directly with the utility and will be billed by the utility company. Telephone service, refuse collection, and janitorial services are the responsibility of the Lessee.

ACKNOWLEDGED:


Lessee's signature

7-7-95.

Date

MONTH-TO-MONTH
LEASE OF IMPROVED SPACE BETWEEN
THE PORT OF PORTLAND
AND
PACIFIC DYNAMICS CORPORATION

LEASE OF IMPROVED SPACE INDEX

| SECTION 1 - AGREEMENT TO LEASE, PREMISES | Page Number |
|--|----------------|
| Section 1.1 - Description of Premises | 1 |
| Section 1.2 - Use of Premises..... | 1 |
| SECTION 2 - TERM | |
| Section 2.1 - Lease Term | 2 |
| SECTION 3 - RENT | |
| Section 3.1 - Basic Rent and Rent | 2 |
| Section 3.2 - Taxes | 3 |
| Section 3.3 - Security Deposit..... | 3 |
| Section 3.4 - Time and Place of Rent Payments..... | 3 |
| Section 3.5 - Delinquency and Administrative Charges..... | 4 |
| Section 3.6 - Acceptance of Rent | 4 |
| SECTION 4 - LESSEE'S OTHER OBLIGATIONS | |
| Section 4.1 - Construction of Improvements | 4 |
| Section 4.2 - Maintenance..... | 5 |
| Section 4.3 - No Liens | 5 |
| Section 4.4 - Utilities and Services | 5 |
| Section 4.5 - Signs | 5 |
| Section 4.6 - Port Access to Premises | 5 |
| Section 4.7 - Safety Requirements..... | 6 |
| SECTION 5 - PORT AUTHORITY AND OBLIGATIONS | |
| Section 5.1 - Delivery of Premises..... | 6 |
| Section 5.2 - Quiet Enjoyment | 6 |
| Section 5.3 - Condition of Premises | 6 |
| Section 5.4 - Port Construction Obligation..... | 7 |
| Section 5.5 - Port Maintenance Obligation | 7 |
| Section 5.6- Port Authority Over Common Areas | 7 |
| SECTION 6 - ENVIRONMENTAL OBLIGATIONS OF LESSEE | |
| Section 6.1 - Definitions..... | 7 |
| Section 6.2 - Limited Business Use of Hazardous Substances.... | 8 |

LEASE OF IMPROVED SPACE INDEX

| | Page Number |
|---|----------------|
| Section 6.3 - Environmental Inspection | 8 |
| Section 6.4 - Safety | 9 |
| Section 6.5 - Disposal of Hazardous Substances | 9 |
| Section 6.6 - Notice to Port | 9 |
| Section 6.7 - Environmental Remediation | 9 |
| Section 6.8 - Certification | 10 |
| Section 6.9 - Documentation of Hazardous Substances | 10 |
| SECTION 7 - INDEMNITY, INSURANCE | |
| Section 7.1 - General Indemnity | 10 |
| Section 7.2 - Environmental Indemnity | 11 |
| Section 7.3 - Insurance Requirements | 11 |
| Section 7.4 - Required Insurance | 12 |
| Section 7.5 - Waiver of Subrogation | 13 |
| SECTION 8 - TERMINATION | |
| Section 8.1 - Duties on Termination | 13 |
| Section 8.2 - Lessee's Personal Property | 13 |
| Section 8.3 - Holding Over | 14 |
| Section 8.4 - Exit Audit and Remediation | 14 |
| SECTION 9 - DEFAULT | |
| Section 9.1 - Event of Default | 14 |
| Section 9.2 - Remedies on Default | 15 |
| Section 9.3 - Remedies Cumulative and Nonexclusive | 16 |
| Section 9.4 - Curing Lessee's Defaults | 16 |
| Section 9.5 - Default by Port | 16 |
| SECTION 10 - ASSIGNMENT, SUBLEASE AND TRANSFER BY PORT | |
| Section 10.1 - Prohibition | 16 |
| Section 10.2 - Effect of Consent | 17 |
| Section 10.3 - Transfer by the Port | 17 |
| Section 10.4 - Estoppel Certificates | 17 |

LEASE OF IMPROVED SPACE INDEX

| | <u>Page Number</u> |
|--|------------------------|
| SECTION 11 - GENERAL PROVISIONS | |
| Section 11.1 - Covenants, Conditions, and Restrictions | 18 |
| Section 11.2 - Governing Law | 18 |
| Section 11.3 - No Benefit to Third Parties..... | 18 |
| Section 11.4 - Port Consent | 18 |
| Section 11.5 - No Implied Warranty..... | 18 |
| Section 11.6 - Notices | 18 |
| Section 11.7 - Time of the Essence | 19 |
| Section 11.8 - Nonwaiver..... | 19 |
| Section 11.9 - Survival..... | 19 |
| Section 11.10 - Partial Invalidity | 20 |
| Section 11.11 - No Light or Air Easement..... | 20 |
| Section 11.12 - Lease Subject to Bonds and Ordinances..... | 20 |
| Section 11.13 - Limitation on Port Liability..... | 20 |
| Section 11.14 - Headings | 20 |
| Section 11.15 - Exhibits Incorporated by Reference | 20 |
| Section 11.16 - Calculation of Time | 20 |
| Section 11.17 - Modification..... | 20 |
| Section 11.18 - Brokers | 21 |
| Section 11.19 - Attorney Fees..... | 21 |
| Section 11.20 - Dispute Resolution | 21 |
| Section 11.21 - Entire Agreement | 21 |
| Section 11.22 - Successors..... | 21 |
| Section 11.23 - Joint and Several Obligations..... | 22 |
| Section 11.24 - Execution of Multiple Counterparts | 22 |
| Section 11.25 - Defined Terms..... | 22 |
| Section 11.26 - No Limit on Port's Powers..... | 22 |

MONTH TO MONTH
LEASE
OF IMPROVED SPACE

THIS LEASE, effective the 1st day of April, 1995, ("Effective Date") is between The Port of Portland, a port district of the State of Oregon (the "Port"), and Pacific Dynamics Corporation, an Oregon corporation ("Lessee") for lease of certain described Premises located at the Portland Ship Yard ("PSY").

The parties, intending to be legally bound by the terms of this Lease, agree as follows:

SECTION 1 AGREEMENT TO LEASE, PREMISES

1.1 Description of Premises. The Port leases to Lessee, and Lessee leases from the Port, approximately 450 square feet of office space on the first floor of Building 80 and 2 parking spaces, identified on Exhibit "A", attached hereto and made a part hereof, and all improvements located thereon (collectively, the "Premises"). Upon construction or installation of any additional improvements approved by the Port as provided herein, in, under or upon the Premises, including without limitation, any buildings, roads, driveways, parking areas, landscaped areas, pipes, fences, walls, sidewalks, stairs, tanks, paved areas, utility distribution facilities or signs (collectively, together with existing improvements, the "Improvements"), such Improvements shall also be deemed a part of the Premises, except to the extent excluded under the terms of this Lease. Improvements added to the Premises by Lessee shall be deemed Lessee's property until termination of this Lease, at which time all such Improvements, at the option of the Port, may revert to the Port and become Port property.

1.2 Use of Premises.

1.2.1 Permitted Use and Compliance with all Laws. Lessee shall use the Premises only for the following purpose(s): offices in support of Lessee's tank, bilge and industrial cleaning company. **Company trucks, tanks, hoses and other equipment must at all times be stored outside PSY.** No other use may be made of the Premises without the prior written approval of the Port, which approval shall be in the sole discretion of the Port. Use must be in conformance with Port rules and regulations applicable to the Premises which may be in effect from time to time (collectively, the "Port Rules"), and as modified from time to time. Lessee shall also comply with all applicable laws, ordinances, rules and regulations of the state or federal government and all other government authorities with jurisdiction over the Premises. Lessee shall promptly provide to the Port copies of all communications from any such government entity which relate to Lessee's noncompliance or alleged noncompliance with any law or other government requirement.

1.2.2 Limits on Use. No sandblasting or spray painting may be permitted on the Premises, nor shall paints, thinners or solvents be stored on the Premises. Lessee shall not, without the prior written consent of the Port, use any device which would cause substantial noise, vibration, fumes or electronic interference on the Premises. No satellite or cable receiving equipment, electronic transmitting devices (other than telephone, telex or telecopier machines) shall be installed, maintained or operated on the Premises except with written approval of the Port. Lessee shall not overload the electrical circuits from which Lessee obtains current. Lessee shall provide Lessee's own surge protection for power furnished to computers and any other electronic devices/equipment approved for use by the Port. Lessee shall not use or permit anyone else to use the Premises, or permit anything to be done in the Premises, which (a) adversely affects, or is likely to adversely affect, the Premises or any element or part of the Premises, or the operations of the Premises; (b) creates any condition that may be a safety hazard; (c) creates a condition that may increase the rate of fire insurance for the Premises or prevent the Port from taking advantage of any ruling of an insurance rating bureau that would allow the Port to obtain reduced rates for its insurance policies or violates any requirements of Lessee's insurance carrier; (d) creates a hazard or a nuisance to other tenants or occupants of nearby facilities.

1.2.3 Appurtenant Rights. Lessee, Lessee's customers, agents, representatives, suppliers, subcontractors, employees and invitees authorized to be operating in PSY shall have the nonexclusive right to use the Common Areas in common with the Port and with others to whom the Port has granted or may grant such right. The term "Common Areas" generally means existing parking areas, roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, and any other areas, except for berth and drydock lay down areas, and such other areas as have been designated by the Port as areas to be used by tenants of the Port or those having Facility Agreements in common with other tenants and users of the Port. Notwithstanding the foregoing, nothing stated herein shall prohibit the Port from barring from Port property any person or entity which fails to comply with applicable laws, ordinances, rules and regulations including those adopted by the Port Commission and those adopted by the Executive Director or the Executive Director's designee.

SECTION 2 TERM

2.1 Lease Term. The term of this Lease shall commence on April 1, 1995, ("Commencement Date") and shall continue month to month until terminated by either party upon the giving of thirty days' written notice, unless otherwise terminated pursuant to the terms of this Lease.

SECTION 3 RENT

3.1 Basic Rent and Rent. Lessee shall pay to the Port monthly rent in the amount of \$249.00, referred to as "Basic Rent." In addition to Basic Rent, Lessee agrees to pay for the Port-provided utilities described in Section 4.4 of this Lease. The rates for Port-provided utilities are shown on Exhibit "B" to this Lease. All other sums which become payable by Lessee to the

Port, including but not limited to payment for Port-provided utilities, shall be considered "Additional Rent" due under this Lease. "Rent," as used herein, shall mean all such Additional Rent, together with Basic Rent. Lessee shall pay Basic Rent for the first and last months upon execution of this Lease.

3.2 Taxes. "Taxes" means all taxes and all assessments of any public authority against the Premises, including all real property taxes assessed against the Premises. Taxes also include any personal property taxes assessed against any Port owned property leased to Lessee hereunder. Other taxes included are rent taxes, gross receipt taxes, business license taxes and fees for permits and any other tax or charge levied wholly or partly in lieu thereof, and the cost of contesting the same. Lessee shall be responsible for paying all such Taxes on time. Upon request by the Port, Lessee shall supply the Port with proof that all such taxes have been paid. Lessee further agrees and understands that because the Port is a tax-exempt entity, Lessee shall be responsible for all real property taxes for the entire tax year (currently July 1 - June 30) even if Lessee's Lease terminates prior to the expiration of the tax year. Lessee shall pay, when due, all taxes and fees assessed against and levied against Lessee's fixtures, equipment, furnishings and personal property located in or on the Premises.

3.3 Security Deposit. In addition to payments of Rent, Lessee shall deposit with the Port, upon execution of this Lease, cash in the amount of \$600.00, as a security deposit (the "Deposit"). The Deposit shall not earn interest, shall not be considered to be held in trust for Lessee and shall not be considered an advance payment of rent or a measure of the Port's damages in the event of a default by Lessee, and may be commingled with other funds of the Port. The Port may, but shall not be obligated to, apply all or any part of the Deposit to Rent or other amount not paid by Lessee when due or any amount which the Port may expend or incur by reason of Lessee's failure to perform any obligation under this Lease. If the Port applies all or any part of the Deposit, Lessee shall, upon demand, immediately replenish the Deposit to its original full amount. If Lessee fully performs all of Lessee's obligations under this Lease, the Deposit, or any balance remaining, shall be returned to Lessee within thirty (30) days after the expiration of this Lease and delivery to the Port of possession of the Premises as required by this Lease. In the event of any sale of the Port's interest in the Premises, the Port may transfer the Deposit to the purchaser and the Port shall have no further liability to refund the Deposit. In the event that the Deposit is in a form other than cash, the Deposit shall be made pursuant to a written agreement between Lessee and the Port containing such terms and conditions as are acceptable to the Port. In the event that the Port and Lessee are unable to agree on the terms of the agreement respecting the Deposit on or before the date such Deposit is due, the Lessee shall deposit cash.

3.4 Time and Place of Basic Rent Payments. Lessee shall make payment of all Basic Rent in advance, on or before the first day of each month ("Due Date") without offset, abatement or deduction to the Port to the following address or such other address as the Port may later designate as provided herein:

The Port of Portland
P.O. Box 5095
Portland, Oregon 97208

3.5 Delinquency and Administrative Charges. All amounts not paid by Lessee when due shall bear a delinquency charge of eighteen percent (18%) per annum or, if less, the maximum rate of interest allowed by law, from the date of delinquency until paid. The delinquency charge on the overdue amounts shall be subject to periodic increase in the sole discretion of the Port. In addition to the interest charge, the Port may, at its option, also impose an administrative charge of five cents (\$.05) for each one dollar (\$1) for Rent payments more than seven (7) days delinquent without waiving any other remedies available for failure to timely pay Rent. The Port's failure to impose a delinquency or administrative charge shall not be a waiver of the Port's other rights and remedies for such delinquent payment, nor of the Port's right to later charge and collect an administrative charge for such delinquency. Acceptance of any delinquency or administrative charge by the Port shall in no event constitute a waiver of Lessee's default with respect to the overdue amount in question, nor prevent the Port from exercising any of the other rights and remedies granted under this Lease or by law.

3.6 Acceptance of Rent. The Port's acceptance of a late or partial payment of Rent shall not constitute a waiver of any Event of Default (defined in Section 9 below). Endorsements or statements on checks of waiver, compromise, payment in full or the like shall have no legal effect. Lessee shall nonetheless remain in default and shall also remain obligated to pay all Rent due even if the Port has accepted such partial or late payment.

SECTION 4 LESSEE'S OTHER OBLIGATIONS

4.1 Construction of Improvements.

4.1.1 Port Approval. Lessee shall undertake no construction, alteration, or changes ("Work"), on or to the Premises, without the prior written consent of the Port. The Port may require Lessee to submit to the Port for approval any of the following: the name of the proposed contractor; final plans and specifications; a site-use plan; and architectural renderings. Approval should be obtained prior to application for any building or like permit. The Port may condition its approval on Lessee's obtaining and delivering to the Port a performance bond and a labor and materials payment bond (issued by a corporate surety licensed to do business in Oregon), each in an amount equal to the estimated cost of the construction and in a form satisfactory to the Port. All improvements installed on the Premises by Lessee, other than Lessee's removable trade fixtures, shall be deemed a part of the Premises.

4.1.2 Permits and Licenses. No Work may commence until Lessee obtains and delivers to the Port copies of all required governmental permits and licenses, including any required greenway permit.

4.1.3 Other Requirements. All Work shall be performed in a good and workman-like manner and in conformance with applicable Port Rules and all permit requirements. All Work shall be done with reasonable dispatch, and in accordance with any completion schedule agreed upon between the Port and Lessee. If requested by the Port, within thirty (30) days after the completion of any Work covered by this Section 4, Lessee shall deliver to the Port complete and

fully detailed "As-Built" drawings of the completed Improvements, prepared by an architect licensed by the State of Oregon.

4.2 Maintenance. Except for the Port maintenance responsibilities provided in Section 5.5, Lessee shall keep and maintain the Premises and all Improvements, systems, and equipment located thereon, in safe and clean condition and in good repair. Lessee shall make all necessary and appropriate preventive maintenance, repairs, and replacements. Without limiting Lessee's responsibilities under this Lease, Lessee shall be specifically responsible for the repair and maintenance of water and sewer lines, plumbing fixtures, heating and air conditioning units, electric lines and fixtures, flooring, partitions, walls and ceilings within the Premises. Lessee shall also be responsible for maintenance of the exterior doors and windows. Lessee shall provide, at Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

4.3 No Liens. Lessee agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been provided or ordered with Lessee's consent to the Premises. If any lien is filed against the Premises which Lessee wishes to protest, then Lessee shall immediately notify the Port of the basis for its protest and must deposit cash with the Port, or procure a bond acceptable to the Port, in an amount sufficient to cover the cost of removing the lien from the Premises. Failure to remove the lien or furnish the cash or a bond acceptable to the Port within ten (10) days shall constitute an Event of Default under this Lease and the Port shall automatically have the right, but not the obligation, to satisfy the lien without further notice to Lessee and Lessee shall immediately reimburse the Port for any sums so paid to remove any such lien.

4.4 Utilities and Services. The following utilities shall be provided by the Port and paid for by Lessee as provided in Section 3.1 of this Lease: lighting, heating, air conditioning, electricity, water and sanitary sewer. Lessee must make arrangement for all utilities not provided by the Port, and shall promptly pay all utility charges before delinquent. Interruption of services or utilities shall not be deemed an eviction or disturbance of Lessee's use and possession of the Premises, render the Port liable to Lessee for damages, or relieve Lessee from performance of Lessee's obligations under this Lease, including full payment of all Rent due. If Lessee wishes to install new utility lines, Lessee must first obtain the written permission of the Port. Whether to grant or deny permission shall be in the sole discretion of the Port. If permission is granted, Lessee must provide the Port with a survey showing the precise location of such lines.

4.5 Signs. Lessee shall not erect, install, nor permit upon the Premises any sign or other advertising device without first having obtained the Port's written consent, which the Port may withhold in its sole discretion. All signs must also comply with all local laws governing signage. Lessee shall remove all signs and sign hardware upon termination of this Lease and restore the sign location to its former state, unless the Port elects to retain all or any portion of the signage.

4.6 Port Access to Premises. The Port shall have the right to enter upon the Premises for the purposes of: (1) confirming the performance by Lessee of all obligations under this Lease;

(2) doing any other act which the Port may be obligated or have the right to perform under this Lease; and (3) for any other lawful purpose. Such entry shall be made on reasonable advance notice and during normal business hours, where practical, except in cases of emergency or a suspected violation of this Lease or the law. Lessee waives any claim against the Port for damages for any injury or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by such entry except to the extent caused by the gross negligence or wilful misconduct of the Port. The Port shall, at all times, retain a key with which to unlock all doors in, upon or about the Premises, and the Port shall have the right to use any and all means which the Port may deem reasonable to open such doors in an emergency in order to obtain entry into the Premises.

4.7 Safety Requirements.

4.7.1 Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of Lessee pursuant to this Lease.

4.7.2 Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

SECTION 5 PORT AUTHORITY AND OBLIGATIONS

5.1 Delivery of Premises. Lessee shall have the right to possession of the Premises as of the Commencement Date. The Port shall have no liability to Lessee for delay in delivering possession.

5.2 Quiet Enjoyment. Subject to Lessee performing all of Lessee's obligations under this Lease and subject to the Port's rights of condemnation under Oregon law and its rights under this Lease, Lessee's possession of the Premises will otherwise not be disturbed by the Port.

5.3 Condition of Premises. The Port makes no warranties or representations regarding the condition of the Premises, including, without limitation, the environmental condition of the Premises or the suitability of the Premises for Lessee's intended uses. Lessee accepts the Premises in "AS IS" condition. The Port shall have no liability to Lessee, and Lessee shall have no claim against the Port, for any damage or injury caused by the condition of the Premises. The Port shall have no responsibility to bring the Premises into compliance with any laws, including, without limitation, any building or occupancy codes. Lessee shall be solely responsible for thoroughly inspecting the Premises and ensuring that it is in compliance with all laws, including all requirements of the Americans With Disabilities Act ("ADA").

5.4 Port Construction Obligation. The Port shall have no construction obligations hereunder.

5.5 Port Maintenance Obligation. Subject to Lessee's maintenance obligations as described in Section 4.2.1 and Lessee's obligations to repair damage caused by its acts or failure to act on the Premises, the Port shall otherwise be responsible for maintenance of the exterior walls and the roof of the Premises, and maintenance of the exterior utility systems to the service connection points inside the Premises. Any and all maintenance and repair work not specifically described in this Lease as the responsibility of the Port shall be the responsibility of the Lessee. Clogs in drains caused by Lessee beyond the service connection points shall be Lessee's responsibility.

5.6 Port Authority Over Common Areas. In addition to any other rights granted by law or by this Lease, the Port reserves the following specific rights with respect to the Common Areas: (i) to adjust the boundaries of, expand or delete Common Areas; (ii) to change Port Rules for the use of the Common Areas; (iii) to permit the use of the Common Areas by others in such manner as the Port may from time to time determine; (iv) to close all or any portion of the Common Areas (so long as Lessee still has ingress and egress to the Premises); (v) to construct additional buildings or other improvements in the Common Areas; and (vi) to evict anyone from the Common Areas who fails to comply with any applicable laws including applicable Port Ordinances and/or Port Rules.

SECTION 6 ENVIRONMENTAL OBLIGATIONS OF LESSEE

6.1 Definitions. As used in this Lease, the following terms shall be defined as follows:

6.1.1 "Environmental Laws" shall be interpreted in the broadest sense to include any and all federal, state and local statutes, regulations, rules and ordinances now or hereafter in effect, as the same may be amended from time to time, which in any way govern materials, substances or products and/or relate to the protection of health, safety or the environment.

6.1.2 "Hazardous Substances" shall be interpreted in the broadest sense to include any substance, material or product defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or any other similar term in or under any Environmental Laws.

6.1.3 "Environmental Costs" shall be interpreted in the broadest sense to include, but shall not necessarily be limited to: (i) costs or expenses relating to any actual or claimed violation of or noncompliance with any Environmental Law; (ii) all claims of third parties, including governmental agencies, for damages, response costs or other relief; (iii) the cost, expense or loss to the Port as a result of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (iv) all expenses of evaluation, testing, analysis, clean-up, remediation, removal and disposal relating to Hazardous Substances, including fees of attorneys, engineers, consultants, paralegals and experts; (v) all expenses of reporting the

existence of Hazardous Substances or the violation of Environmental Laws to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (vi) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying, telephone and telefax charges and other expenses; and (vii) any damages, costs, fines, liabilities and expenses which are claimed to be owed by any federal, state or local regulating or administrative agency.

6.2 Limited Business Use of Hazardous Substances. Lessee may, in the normal course of Lessee's business and to the extent necessary for Lessee's permitted use of the Premises, use certain Hazardous Substances on the Premises in compliance with all of the following conditions: (a) use of such Hazardous Substances is in compliance with all Environmental Laws; (b) use of such Hazardous Substances does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage; (c) other than ordinary office and janitorial supplies and substances fully contained inside of automobiles located on the Premises, Lessee shall be permitted to use only those Hazardous Substances as have been specifically identified and consented to, in writing, by the Port and only in such quantities as have been so consented to by the Port. The Port may condition its consent to the use or presence of any Hazardous Substance on the Premises upon Lessee's giving the Port such additional assurances as the Port, in its discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination, injury or liability therefrom, including, but not limited to, the installation (and removal on or before termination of the Lease) of reasonable protective modifications to the Premises or an increase in the security deposit and insurance coverage. The Port reserves the right to inventory or cause to be inventoried any such Hazardous Substances being used and to approve or deny use of the same. Ordinary janitorial supplies which are available over the counter for use by the general public may be used on the Premises without written permission from the Port so long as they are used in small quantities for normal clean-up activities and in accordance with all laws and the provisions of this Lease. In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premises which are generated by or from cleanup, removal, or remediation operations or activities from third party sources outside PSY.

6.3 Environmental Inspection. The Port reserves the right to inspect for Hazardous Substances and/or Lessee's management of Hazardous Substances on the Premises at any time, and from time to time, without notice to Lessee or any subtenant. If the Port, at any time during the term of this Lease or any extension thereof, has reason to believe that Lessee is handling Hazardous Substances contrary to the requirements of this Lease, in violation of this Lease or in any manner that may allow contamination of the Premises, the Port may, without limiting its other rights and remedies, require Lessee to furnish to the Port, at Lessee's sole expense, an environmental audit or environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting such audit and the audit procedures. The Port shall be given an original copy of the audit results. Lessee shall cooperate with all such requests.

6.4 Safety. Pursuant to the terms of this Lease, Lessee must comply with all applicable state, federal and local laws and ordinances. As a part of this requirement, Lessee shall maintain Material Safety Data Sheets for each and every Hazardous Substance used by Lessee, Lessee's agents, employees, contractors, licensees or invitees on the Premises, as required under the Hazard Communication Standard in 29 CFR §1910.1200, as it may be amended, redesignated or retitled from time to time, and comparable state and local statutes and regulations. In order to ensure that such information is available to the Port in the event of a spill or other emergency, all such information shall be kept current at all times and a copy of all such materials shall be kept in a place known to and easily accessible to the Port.

6.5 Disposal of Hazardous Substances. Lessee shall not dispose of any Hazardous Substance, regardless of the quantity or concentration, within the storm and/or sanitary sewer drains and plumbing facilities within the Premises, or other property of the Port. The disposal of Hazardous Substances shall be in approved containers and removed from the Premises only in accordance with the law. If Lessee knows, or has reasonable cause to believe, that any release of a Hazardous Substance has come to be located on or beneath the Premises, Lessee must immediately give written notice of that condition to the Port.

6.6 Notice to Port. Lessee shall immediately notify the Port upon becoming aware of a violation or alleged violation of any Environmental Law and/or: (1) any leak, spill, release or disposal of a Hazardous Substance on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to Lessee or any other person relating to such Hazardous Substances on, under or adjacent to the Premises or any violation or alleged violation of any Environmental Laws with respect to the Premises.

6.7 Environmental Remediation. In the event of a leak, spill or release of a Hazardous Substance, or any other substance in violation of Environmental Laws, on the Premises (or in any adjacent or nearby waterways, on adjacent properties or in any Common Areas, if caused by Lessee), or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all acts necessary or appropriate to contain, clean up and remove the Hazardous Substance. Lessee shall also undertake, within a reasonable time, all investigatory, remedial and/or removal actions necessary or appropriate to ensure that any contamination by the Hazardous Substance is eliminated and any violation of any Environmental Law is stopped. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individuals conducting such procedures. Within thirty (30) days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a report outlining in detail what has been done by Lessee to cure any such problems. Promptly upon written notice from the Port or from any governmental entity, Lessee shall remove from the Premises (including, without limitation, the soil and surface and ground water thereof), at Lessee's own cost and expense, all Hazardous Substances which have been released on, in, under or about the Premises, during the term of this Lease or any prior lease held by Lessee and shall restore the Premises to its pre-contamination condition, in conformance with all applicable governmental laws, rules and regulations. Any Environmental Costs incurred by or assessed against the Port shall be promptly paid by Lessee after the Port incurs the obligation to pay such Costs or

determines that an Environmental Cost is duly owing and the Port so notifies Lessee. If a spill or contamination is discovered by Lessee but such spill or contamination is not on the Premises and is not the responsibility of Lessee under this Lease, Lessee must still immediately notify the Port of any problem or possible problem.

6.8 Certification. Not later than thirty (30) days after receipt of written request from the Port, Lessee shall provide a written certification to the Port, signed by Lessee, which certifies that Lessee has not received any notice from any governmental agency regarding a violation of any Environmental Law; or, if such notice was received, Lessee shall explain the reason for the notice, what has been done to remedy the problem and shall attach a copy of the notice. Lessee shall also certify that Lessee has obtained and has in force all permits required under Environmental Law. Copies of all such permits shall be made available to the Port upon request.

6.9 Documentation of Hazardous Substances. Lessee shall maintain for periodic inspection by the Port and deliver to the Port, at the Port's request, true and correct copies of the following documents (hereinafter referred to as the "Documents") related to the handling, storage, disposal and emission of Hazardous Substances, concurrently with the receipt from or submission to a governmental agency: Permits; approvals; reports and correspondence; storage and management plans; spill prevention control and countermeasure plans; other spill contingency and emergency response plans; documents relating to taxes for Hazardous Substances; notice of violations of any Environmental Laws; plans relating to the installation of any storage tanks to be installed in, under or around the Premises (provided said installation of tanks shall only be permitted after Port has given Lessee its written consent to do so, which consent may be withheld in Port's sole discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks or other facilities installed in, on or under the Premises.

SECTION 7 INDEMNITY, INSURANCE

7.1 General Indemnity. Upon the Commencement Date of this Lease, Lessee agrees to defend (using legal counsel acceptable to the Port), indemnify, and hold harmless the Port from and against any and all actual or alleged claims, damages, expenses, costs, fees (including, but not limited to, attorney, accountant, paralegal, expert, and escrow fees), fines, and/or penalties (collectively "Costs") which may be imposed upon or claimed against the Port and which, in whole or in part, directly or indirectly, arise from or are in any way connected with: (1) any act, omission or negligence of Lessee or Lessee's subtenants or licensees or any of their respective partners, officers, directors, agents, employees, invitees or contractors; (2) any use, occupation, management or control of the Premises by Lessee, whether or not due to Lessee's own act or omission and whether or not occurring on the Premises; (3) any condition created in or about the Premises by any party, other than the Port or an agent of the Port, including any accident, injury or damage occurring on or about the Premises after the Commencement Date; (4) any breach, violation or nonperformance of any of Lessee's obligations under this Lease; (5) any damage caused by Lessee on or to the Premises. For purposes of this Section 7.1(1) through (5) and Section 7.2 below, "Lessee" shall be deemed to include Lessee and Lessee's sublessees and

licensees and all respective partners, officers, directors, agents, employees, invitees and/or contractors.

7.2 Environmental Indemnity. Without in any way limiting the generality of the foregoing Section 7.1 concerning General Indemnity, Lessee shall be solely responsible for and agrees to defend (using legal counsel acceptable to the Port), indemnify and hold harmless the Port from and against all Environmental Costs claimed against or assessed against the Port arising, in whole or in part, directly or indirectly, from acts or omissions of any person or entity at or about the Premises after the Commencement Date of this Lease or earlier if caused by Lessee or Lessee's agents or invitees. This indemnification shall require Lessee to reimburse the Port for any diminution in value of the Premises or other adjacent or nearby Port property, caused by Hazardous Substances, including damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or any other Port property, including damages arising from any adverse impact on marketing of space in or near the Premises, including other Port property. Lessee's obligations shall not apply if the Hazardous Substances were deposited on the Premises by the Port or the Port's agents. Lessee shall be solely responsible to assure that no person brings Hazardous Substances onto the Premises. Notwithstanding the foregoing, Lessee shall not be responsible for, and does not indemnify the Port for, any actions of the Port that cause environmental damage or a violation of any Environmental Law on the Premises.

7.3 Insurance Requirements.

Insurance requirements set forth below do not in any way limit the amount or scope of liability of Lessee under this Lease. The amounts listed indicate only the minimum amounts of insurance coverage the Port is willing to accept to help insure full performance of all terms and conditions of this Lease. All insurance required by this Lease shall meet the following minimum requirements:

7.3.1 Certificates; Notice of Cancellation. On or before the Commencement Date, Lessee shall provide the Port with certificates of insurance establishing the existence of all insurance policies required under this Section 7. Thereafter, the Port must receive notice of the expiration or renewal of any policy at least thirty (30) days prior to the expiration or cancellation of any insurance policy. No insurance policy may be canceled, revised, terminated or allowed to lapse without at least thirty (30) days prior written notice being given to the Port. Insurance must be maintained without any lapse in coverage continuously for the duration of this Lease. Insurance canceled without Port consent shall be deemed an immediate Event of Default under this Lease. The Port shall also be given certified copies of Lessee's policies of insurance upon request.

7.3.2 Additional Insured. The Port shall be named as an additional insured in each required policy and, for purposes of damage to the Premises, as a loss payee. Such insurance shall not be invalidated by any act, neglect or breach of contract by Lessee.

7.3.3 Primary Coverage. The required policies shall provide that the coverage is primary, and will not seek any contribution from any insurance or self-insurance carried by the Port.

7.3.4 Company Ratings. All policies of insurance must be written by companies having an A.M. Best rating of "A" or better, or equivalent. The Port may, upon thirty (30) days written notice to Lessee, require Lessee to change any carrier whose rating drops below an "A" rating.

7.4 Required Insurance

At all times during this Lease, Lessee shall provide and maintain the following types of coverage:

7.4.1 General Liability Insurance. Lessee shall maintain an occurrence form commercial general liability policy (including coverage for broad form contractual liability; sudden and accidental spill coverage on land and on water; and any personal injury liability) for the protection of Lessee and the Port, insuring Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of Lessee. Such coverage shall name the Port as an additional insured. Coverage shall be in an amount of not less than ONE MILLION DOLLARS (\$1,000,000) combined single limit per occurrence for bodily injury and property damage for all coverage specified herein.

7.4.2 Fire Legal Liability Insurance. The Port shall insure the building space and all improvements affixed thereto, considered to be part of the building, being leased by Lessee as a part of the leased Premises. Lessee is responsible to insure all of Lessee's own personal property and trade fixtures, which items shall not be covered by Port insurance. Furthermore, Lessee must at all times carry Fire Legal Liability insurance coverage in an amount not less than ONE HUNDRED THOUSAND DOLLARS (\$100,000).

7.4.3 Automobile Liability Insurance. Lessee shall maintain an occurrence form automobile liability policy insuring Lessee and the Port against liability for damage because of bodily injury, death, or damage to property, including loss of use thereof, and occurring or in any way related to the use, loading or unloading of Lessee's owned, hired and non-owned vehicles on and around the Premises. Such insurance shall name the Port as an additional insured. Coverage shall be in an amount of not less than ONE MILLION DOLLARS (\$1,000,000) combined single limit per occurrence.

7.4.4 Workers' Compensation Insurance. Lessee shall maintain in force Workers' Compensation insurance or self-insurance for all of Lessee's employees, including coverage for Employer's Liability, and, if applicable, Longshore and Harbor Workers' Compensation Act. In lieu of such insurance, Lessee may maintain a self-insurance program meeting the requirements of the State of Oregon and a policy of Excess Workers' Compensation with a limit of at least ONE MILLION DOLLARS (\$1,000,000) per accident above the self-insured retention.

7.4.5 Periodic Review. The Port shall have the right to periodically review the types, limits and terms of insurance coverage. In the event the Port determines that such types, limits and/or terms should be changed, the Port will give Lessee a minimum of thirty (30) days notice of such determination and Lessee shall modify its coverage to comply with the new insurance requirements of the Port. Lessee shall also provide the Port with proof of such compliance by giving the Port an updated certificate of insurance within fifteen (15) days.

7.5 Waiver of Subrogation. Except as limited by this Section, the parties hereto waive any right of action that they and/or their insurance carriers might have against the other for loss or damage, to the extent that such loss or damage is covered by any All-Risk property insurance policy or policies and to the extent that proceeds (which proceeds are free and clear of any interest of third parties) are received by the party claiming the loss or damages. This waiver of subrogation shall not extend to any applicable deductibles under such policy or policies.

SECTION 8 TERMINATION

8.1 Duties on Termination. Upon expiration or earlier termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the Premises and all Improvements in good clean condition. Improvements constructed by Lessee with permission from the Port shall, at the Port's option, become Port property and shall not be removed unless the Port directs Lessee to remove such Improvements, in which case Lessee must remove such Improvements and repair any damage to the Premises. All repair for which Lessee is responsible shall be completed prior to termination and surrender.

8.2 Lessee's Personal Property.

8.2.1 Removal Requirement. Furniture, decorations, detached floor covering, curtains, blinds, furnishings and removable trade fixtures shall remain the property of Lessee if placed on the Premises by Lessee, at Lessee's expense. At or before the termination of this Lease, Lessee, at Lessee's expense, shall remove from the Premises any and all of Lessee's removable personal property and shall repair any damage to the Premises resulting from the installation or removal of such property. Title to any items of Lessee's trade fixtures and other property which remain on the Premises after the termination date of this Lease may, at the option of the Port, be automatically taken by the Port, and the Port shall have the option, in its sole discretion, of: (a) retaining any or all of such trade fixtures and other property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such trade fixtures and other property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

8.2.2 Time for Removal. The time for removal of any property which Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the termination date of this Lease; or (2) within thirty (30) days after notice from the Port requiring

such removal where the property to be removed is an Improvement which Lessee is not required to remove except after election or notice by the Port.

8.3 Holding Over. If Lessee holds over after this Lease terminates, Lessee shall be deemed a month-to-month holdover tenant or a tenant at sufferance, at the Port's sole discretion. In the event the Port deems Lessee as a month-to-month holdover tenant, Lessee shall remain bound by this Lease, except that: i) the tenancy shall be from month-to-month, subject to the payment of all Rent in advance; ii) the Port shall have the right to adjust the Rent upon thirty (30) days written notice to Lessee; and iii) such tenancy may be terminated at any time by written notice from the Port to Lessee. In the event the Port deems Lessee as a tenant at sufferance, the Port shall be entitled to evict Lessee but the Port may still collect a charge for use of the Premises.

8.4 Exit Audit and Remediation. The Port may, at or near the expiration of this Lease by time or other termination, require the Lessee to conduct, at Lessee's sole cost and expense, an exit environmental audit (the "Exit Audit") of the Premises to determine whether there are any Hazardous Substances on or within the Premises. The Port shall have the right to approve the Exit Audit procedures and the company or individual conducting the audit. The Port shall be given a certified copy of the audit results. Lessee shall provide to the Port a supplemental update report as of the last day of the Lease. Lessee shall promptly remedy any contamination revealed by such audit for which Lessee is responsible under the terms of this Lease. Such remediation shall be performed in accordance with then applicable Environmental Laws prior to the expiration of the Lease. In the event Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge Lessee all resulting Environmental Costs. The Port shall give Lessee seven (7) days prior written notice of its intention to do the clean-up. Lessee agrees to pay to the Port such Environmental Costs incurred by the Port within thirty (30) days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port under this Lease, at law, or by equity. If Lessee does not conduct such audit as required herein, the Port may, at its sole option, and without further notice to Lessee, complete such audit and bill Lessee for all costs of conducting the audit.

SECTION 9 DEFAULT

9.1 Event of Default. The occurrence of any of the following shall constitute an Event of Default:

9.1.1 Default in Rent. Failure of Lessee to pay any Rent or other amount payable to the Port or to others as provided herein within ten (10) days after it is due. No notice by the Port that Rent or such other amount is past due shall be required.

9.1.2 Default in Other Covenants. Failure of Lessee to comply with any term, covenant or condition of this Lease (other than the payment of Rent or other amounts) within ten (10) days after written notice by the Port describing the nature of the default. If the default is of such a nature that it cannot be completely remedied within the ten (10) day period, this provision shall be complied with if Lessee begins correction of the default within the ten (10) day period and

thereafter proceeds in good faith and with reasonable diligence to effect the cure as soon as practical, so long as done to the satisfaction of the Port. Notwithstanding the foregoing, the Port need not give notice for a similar type of default more than twice during the Lease, and a failure to perform such type of obligation after the second notice constitutes an Event of Default for which no further notice or opportunity to cure need be given. Furthermore, if any Event of Default threatens to cause serious harm to the Port or other tenants or persons, then the Port shall not be required to serve any notice before proceeding to request immediate injunctive relief.

9.1.3 Insolvency. To the extent permitted by the United States Bankruptcy Code, insolvency of Lessee shall be deemed to include an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee and the receiver is not discharged within ten (10) days; the filing of an involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days, shall all constitute an Event of Default hereunder. In these instances, no notice that an Event of Default has occurred shall be required from the Port.

9.1.4 Abandonment. Failure of Lessee for thirty (30) days or more to use and occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease. No notice that an Event of Default has occurred shall be required from the Port.

9.1.5 Failure to Abide by Laws. Failure of Lessee to comply with any applicable laws or any of the Port's Rules. If the default is not of a serious nature, which determination shall be in the sole discretion of the Port, and the default can be cured as outlined in Section 9.1.2 above, then the Port shall give Lessee ten (10) days notice of such default and Lessee shall be permitted to cure. If the violation is of a serious nature, to be determined in the sole discretion of the Port, then termination will be immediate and no opportunity to cure the default will be allowed.

9.1.6 Correction of Emergency. Failure of Lessee to immediately commence correction and control of an emergency upon notice from the Port. As used herein, "Emergency" shall mean any activity, cause or effect under the control or direction of Lessee, its employees, agents, invitees, guests, or subcontractors involving the health, safety, or general welfare of persons or property.

9.2 Remedies on Default. Immediately following an uncured Event of Default or an Event of Default for which there is no cure period, the Port may exercise any or all of the following remedies, in addition to any other rights and remedies provided in this Lease or at law or equity:

9.2.1 Re-entry. The Port may re-enter the Premises, or any part thereof, by suitable action or proceeding at law, or by force or otherwise, without being liable for indictment,

prosecution or damages therefor, and may repossess the Premises and remove any person or property therefrom, to the end that the Port may have, hold and enjoy the Premises.

9.3 Remedies Cumulative and Nonexclusive. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by the Port of any such rights or remedies will not preclude the simultaneous or later exercise by the Port of any other such rights or remedies. All such rights and remedies are nonexclusive.

9.4 Curing Lessee's Defaults. If Lessee shall default in the performance of any of Lessee's obligations under this Lease, the Port, without waiving such default, may (but shall not be obligated to) perform the same for the account of and at the expense of Lessee, without notice in a case of emergency, and in any other cases, only if such default continues after the expiration of ten (10) days from the date the Port gives Lessee notice of the default. The Port shall not be liable to Lessee for any claim for damages resulting from such action by the Port. Lessee agrees to reimburse the Port upon demand, as additional Rent, any amounts the Port may spend in complying with the terms of this Lease on behalf of Lessee. The Port shall have the same rights and remedies in the event of the nonpayment of sums due to be reimbursed under this Section as in the case of default by Lessee in the payment of any other Rent. Any sums to be so reimbursed shall bear interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by law, whichever is less.

9.5 Default by Port. In the event of any default by the Port, Lessee's exclusive remedy shall be an action for damages. Prior to being entitled to maintain any such action, Lessee shall give the Port written notice specifying such default with particularity, and the Port shall have thirty (30) days within which to cure any such default, or if such default cannot reasonably be cured within thirty (30) days, the Port shall then have thirty (30) days to commence cure and shall diligently prosecute cure to completion. Unless and until the Port fails to so cure such default after such notice, Lessee shall not have any remedy or cause of action by reason thereof. All obligations of the Port hereunder shall be construed as covenants, not conditions, and all such obligations shall be binding upon the Port only during the period of its ownership of the Premises and not thereafter.

SECTION 10 ASSIGNMENT, SUBLEASE AND TRANSFER BY PORT

10.1 Prohibition. This Lease is personal to Lessee. Therefore, unless otherwise provided in this Lease, no part of the Premises, nor any interest in this Lease, may be assigned, pledged, transferred, mortgaged, or subleased by Lessee, nor may a right of use of any portion of the Premises be conveyed or conferred on any third party by Lessee by any other means, without the prior written consent of the Port. Whether to deny or grant any such request shall be in the Port's sole discretion. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers, including any that may occur by operation of law. If Lessee is a corporation or other entity, any change in ownership of the

controlling interest in the stock of the corporation or ownership interest in such other entity, through sale, exchange, merger, consolidation or other transfer, shall be deemed an assignment of this Lease requiring the Port's consent.

10.1.1 Port Costs. Lessee shall pay the Port's costs and expenses for reviewing Lessee's request for consent to assign or sublease and all related materials, including, without limitation, reasonable legal fees, whether or not the Port grants such consent.

10.2 Effect of Consent. No assignment or subletting by Lessee shall relieve Lessee of any obligation under this Lease and Lessee shall remain fully liable hereunder. Any attempted assignment or sublease by Lessee in violation of the terms and covenants of this Section 10 shall be void. Any consent by the Port to a particular assignment or sublease shall not constitute the Port's consent to any other or subsequent assignment or sublease. If consent is granted, Lessee shall provide a copy of the signed assignment or sublease document to the Port promptly after execution. The sublease or assignment instrument shall contain a provision requiring that the subtenant or assignee perform and observe all terms and conditions of this Lease and shall provide that the Port have the right to enforce such terms and conditions directly against such assignee or subtenant.

10.3 Transfer by the Port. At any time after the Commencement Date of this Lease, the Port shall have the right to transfer its interest in the Premises or in this Lease. In the event of such a transfer, the Lessee shall attorn to said transferee and recognize transferee as the new Lessor under the Lease. Thereafter, the Port shall be relieved, upon notification to Lessee of the name and address of the Port's successor, of any obligations accruing from and after the date of the transfer so long as the transferee agrees to assume all obligations of the Port under this Lease.

10.4 Estoppel Certificates. Lessee agrees to execute and deliver to Port, at any time and within ten (10) days after written request, a statement certifying: (1) that this Lease is unmodified and is in full force and effect (or if there have been modifications, stating the modifications); (2) the dates to which Rent has been paid; (3) whether or not the Port is in default in performance of any of its obligations under this Lease and, if so, specifying the nature of each such default; and (4) whether or not any event has occurred which, with the giving of notice, the passage of time, or both, would constitute such a default by the Port and, if so, specifying the nature of each such event. Lessee shall also include in any such statement such other information concerning this Lease as the Port reasonably requests. The parties agree that any statement delivered pursuant to this section shall be deemed a representation and warranty by Lessee which may be relied upon by the Port and by potential or actual purchasers and lenders with whom the Port may be dealing, regardless of independent investigation. If Lessee fails to provide such statement within ten (10) days after the Port's written request therefor, Lessee shall be deemed to have given such statement and shall be deemed to have admitted the accuracy of any information contained in the request for such statement.

SECTION 11

GENERAL PROVISIONS

11.1 Covenants, Conditions, and Restrictions. This Lease is subject and subordinate to the effect of any covenants, conditions, restrictions, easements, mortgages, deeds of trust, ground leases, rights of way, and any other matters of record now or hereafter imposed upon the Premises and to any applicable land use or zoning laws or regulations. Lessee shall, upon request of the Port, execute and deliver agreements of subordination in the form requested by the Port.

11.2 Governing Law. This Lease shall be governed and construed according to the laws of the State of Oregon, and venue for any litigation shall be in Multnomah County. To the extent applicable, the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein and shall control in the event of conflict with any provision of this Lease.

11.3 No Benefit to Third Parties. The Port and Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

11.4 Port Consent. If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable. Lessee's sole remedy shall be an action for specific performance or injunction, and such remedy shall be available only if the Port has expressly agreed, in writing, not to act unreasonably in withholding its consent or may not unreasonably withhold its consent as a matter of law and the Port has, in fact, acted unreasonably in either of those instances.

11.5 No Implied Warranty. In no event shall any consent, approval, acquiescence, or authorization by the Port be deemed a warranty, representation, or covenant by the Port that the matter approved, consented to, acquiesced in or authorized is appropriate, suitable, practical, safe or in compliance with any applicable law or this Lease. In no event shall the Port be deemed liable therefor. Lessee shall be solely responsible for such matters.

11.6 Notices. All notices required or desired to be given under this Lease shall be in writing and may be delivered by placement in the U.S. mail, postage prepaid, as certified mail, return receipt requested, addressed to the Port at:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208-3529
Attn: PSY Contracts Administrator

with a copy to:

The Port of Portland
P.O. Box 3529
Portland, Oregon 97208-3529
Attn: Legal Department

or by hand delivery to the Port at:

The Port of Portland
5555 N. Channel Avenue, Building 50
Portland, Oregon 97217
Attn: PSY Contracts Administrator

with a copy to:

The Port of Portland
700 N.E. Multnomah
Portland, Oregon 97232
Attn: Legal Department

and to Lessee to the Premises or to:

Pacific Dynamics Corporation
P.O. Box 11126
Portland, OR 97211
Attn: Daniel Goll

Any notice delivered by hand delivery shall be conclusively deemed received by the addressee upon actual delivery; any notice delivered by mail as set forth herein shall be conclusively deemed received by the addressee on the third business day after deposit. The addresses to which notices are to be delivered may be changed by giving notice of such change in accordance with this notice provision.

11.7 Time of the Essence. Time is of the essence in the performance of and adherence to each and every covenant and condition of this Lease.

11.8 Nonwaiver. Waiver by the Port of strict performance of any provision of this Lease shall not be deemed a waiver of or prejudice the Port's right to require strict performance of the same provision in the future or of any other provision.

11.9 Survival. Any covenant or condition (including, but not limited to, indemnification agreements), set forth in this Lease, the full performance of which is not specifically required prior to the expiration or earlier termination of this Lease, and any covenant or condition which by their terms are to survive, shall survive the expiration or earlier termination of this Lease and shall remain fully enforceable thereafter.

11.10 Partial Invalidity. If any provision of this Lease is held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

11.11 No Light or Air Easement. The reduction or elimination of Lessee's light, air, or view will not affect Lessee's obligations under this Lease, nor will it create any liability of the Port to Lessee.

11.12 Lease Subject to Bonds and Ordinances. This Lease shall be subject and subordinate to the bonds and ordinances which create liens and encumbrances as are now on the land which constitutes the Premises herein. Lessee agrees that the Port may hereafter adopt such bond ordinances which impose liens or encumbrances on said land and the Port's interest in the leasehold, and that Lessee shall, upon request of the Port, execute and deliver agreements of subordination consistent herewith.

11.13 Limitation on Port Liability. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted, and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Ship repair also involves other hazards which may have an impact upon the Premises and/or Lessee's activities. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore. Lessee further agrees that the Port shall have no liability to Lessee for loss or damage suffered by Lessee on account of theft or any act of a third party including other tenants. The Port shall only be liable for its own wilful misconduct or gross negligence and then only to the extent of actual and not consequential damages. The Port shall not be liable for the consequence of admitting by passkey or refusing to admit to the Premises, Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

11.14 Headings. The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

11.15 Exhibits Incorporated by Reference. All Exhibits attached to this Lease are incorporated by reference herein for all purposes.

11.16 Calculation of Time. All periods of time referred to herein shall include Saturdays, Sundays and legal holidays in the State of Oregon. However, if the last day of any period falls on a Saturday, Sunday, or legal holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday or legal holiday.

11.17 Modification. This Lease may not be modified except by a writing signed by the parties hereto.

11.18 Brokers. Lessee represents that Lessee has not dealt with any leasing agent or broker in connection with this Lease and agrees to indemnify and hold the Port harmless from and against any and all damages, costs, and expenses arising in connection with any claim of an agent or broker alleging to have been retained by Lessee in connection with this Lease.

11.19 Attorney Fees. If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Lease or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law. If the Port is required to seek legal assistance to enforce any term of this Lease, such fees shall include all of the above fees, whether or not a proceeding is initiated. Payment of all such fees shall also apply to any administrative proceeding, trial, and/or any appeal or petition for review. Whenever this Lease requires Lessee to defend the Port, it is agreed that such defense shall be by legal counsel acceptable to the Port.

11.20 Dispute Resolution. Should any dispute arise between the parties to this Lease other than a dispute regarding (1) the failure to pay any Rent or other payments as required by this Lease, or (2) possession, it is agreed that such dispute will be submitted to a mediator prior to any agreed upon arbitration proceeding or prior to a lawsuit being filed. The parties shall exercise good faith efforts to resolve disputes covered by this section through this mediation process. If a party requests mediation and the other party fails to respond within ten (10) days, or if the parties fail to agree on a mediator within ten (10) days, a mediator shall be appointed by the presiding judge of the Multnomah County Circuit Court upon the request of either party. The parties shall have any rights at law or in equity with respect to any dispute not covered by this Section 11.20. Nothing herein shall restrict either party from seeking emergency relief such as specific performance or injunctive relief prior to such mediation. Furthermore, any remediation of an environmental contamination or violation of an Environmental Law shall not be delayed in any way to allow for mediation.

11.21 Entire Agreement. This Lease represents the entire agreement between the Port and Lessee relating to Lessee's leasing of the Premises. It is understood and agreed by Lessee that neither the Port nor the Port's agents or employees have made any representations or promises with respect to this Lease or the making or entry into this Lease, except as in this Lease expressly set forth, and that no claim or liability or cause for termination shall be asserted by Lessee against the Port for, and the Port shall not be liable by reason of, the claimed breach of any representations or promises not expressly stated in this Lease, any other oral agreement with the Port being expressly waived by Lessee.

11.22 Successors. The rights, liabilities and remedies provided for herein shall extend to the heirs, legal representatives, successors and, so far as the terms of this Lease permit, successors and assigns of the parties hereto. The words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become such parties hereto.

11.23 Joint and Several Obligations. If Lessee consists of more than one individual or entity, the obligations of all such individuals and entities shall be joint and several.

11.24 Execution of Multiple Counterparts. This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one instrument.

11.25 Defined Terms. Capitalized terms shall have the meanings given them in the text of this Lease.

11.26 No Limit on Port's Powers. Nothing in this Lease shall limit, in any way, the power and right of the Port to exercise its governmental rights and powers, including its powers of eminent domain.

IN WITNESS HEREOF, the parties have subscribed their names hereto effective as of the year and date first written above.

LESSEE:

PACIFIC DYNAMICS CORPORATION
an Oregon corporation

By

As Its PRESIDENT

LESSOR:

THE PORT OF PORTLAND

By

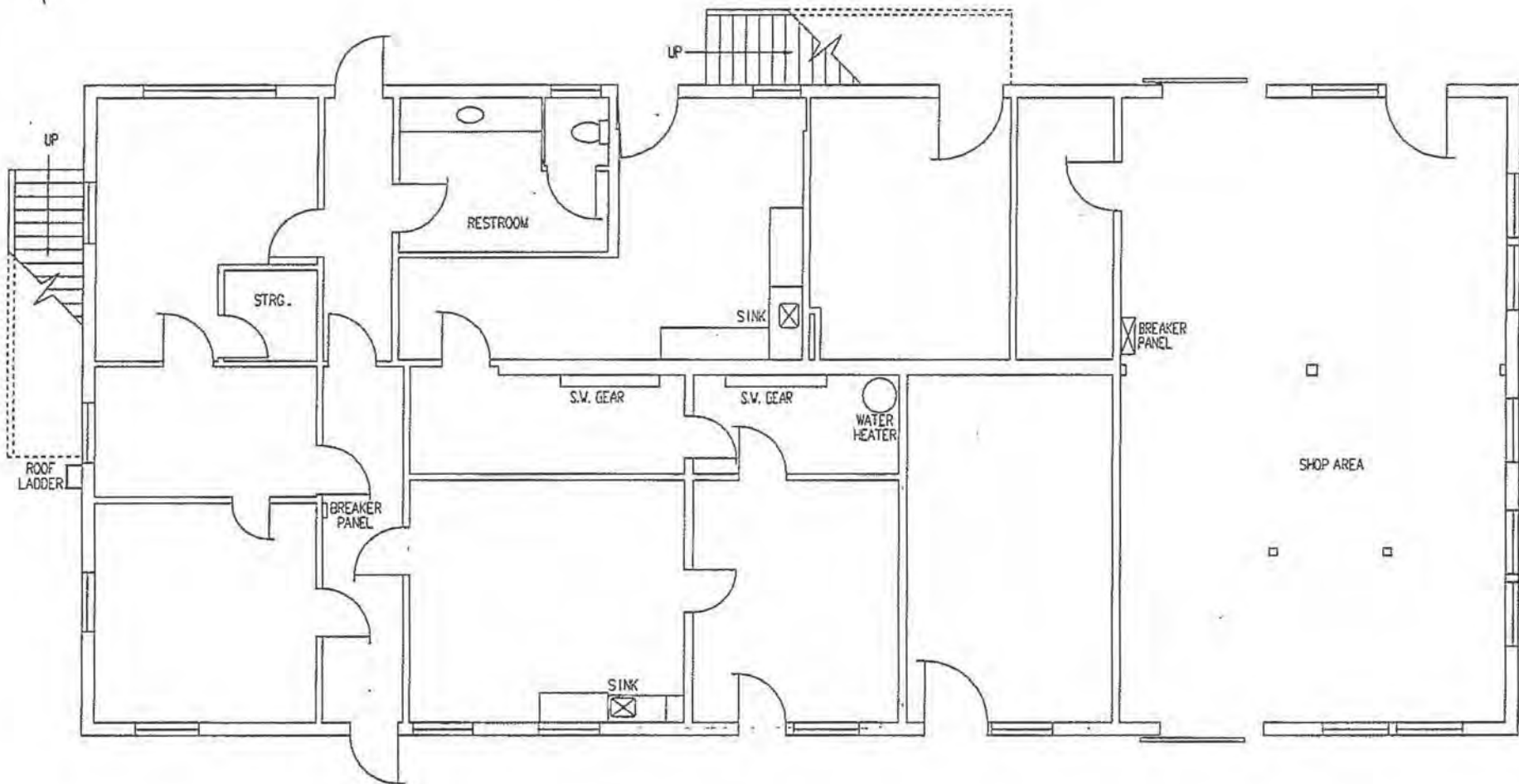
Mike Thorne

As its Executive Director

APPROVED AS TO LEGAL SUFFICIENCY

Counsel for The Port of Portland

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Port of Portland

PORTLAND SHIP REPAIR YARD
BUILDING 80
FIRST FLOOR LEASE PLAN

REV. 2-11-93

BL80FF.CAD 1/1

PSY100002988

EXHIBIT A

EXHIBIT B

UTILITY SERVICES

This Exhibit B is part of the Lease dated MAR-24, 1995 between the PORT OF PORTLAND and PACIFIC DYNAMICS CORPORATION for the rental of the improved space identified in Exhibit "A" to the Lease. For the authorized purpose of the Lease, the following utilities shall be provided at the stated rates subject to change upon thirty days written notice by the Port.

| <u>Space</u> | <u>Sq. Ft.</u> | <u>Monthly Amount</u> | <u>Utilities Provided</u> |
|-------------------|----------------|-----------------------|----------------------------|
| Offices, Bldg. 80 | 450 sf | \$45.00 @ \$.10/sf | Electricity, water & sewer |

Telephone service, refuse collection, and janitorial services are the responsibility of the Lessee.

ACKNOWLEDGED:



Lessee's signature

3/24/95

Date